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U.S. House Votes Limit of 40 on MX In Rebuff to Reagan

By Steven V. Roberts
New York Times Service

WASHINGTON — The House of Representatives has voted to bar the purchase of any additional MX missiles next year and to limit deployment of the intercontinental missile to a total of 40.

The Tuesday night vote was another setback in the Reagan administration's struggle to keep the MX missile alive. Last month, the White House reluctantly accepted a proposal in the Senate that would allow the purchase of 12 new missiles in the fiscal year beginning Oct. 1 and to limit the operational force to 50 weapons.

The details of any final compromise will be settled by a House-Senate conference, but the vote made it clear that both houses of Congress wanted to place tight restrictions on the MX program and end a decade-long debate.

The proposal on the MX was adopted by voice vote as an amendment to the bill outlining programs for the Defense Department. But in the key vote in a series of parliamentary twists and turns, the limit of 40 missiles was approved by a vote of 233-184. Thirty-two Republicans joined 201 Democrats.

The amendment would eliminate \$2.1 billion earmarked by the Armed Services Committee for the purchase of 21 missiles next year. But \$921 million would be provided to finance the deployment of 40 of the missiles, which carry 10 warheads with great accuracy.

Representative Nicholas Mavroules, Democrat of Massachusetts, who co-sponsored the amendment, expressed the sentiment on Capitol Hill this way: "People have had it up to their throats with the MX missile. We want to get that behind us."

President Ronald Reagan originally wanted 200 MX missiles but scaled back his proposal to 100 two years ago. According to Representative Dave McCurdy, Democrat of Oklahoma, a co-author of the amendment to limit the missile, the conference will have to compromise at 40 or 50, since the missile must be deployed in groups of 10.

The conference will also have to reconcile the Senate plan to build (Continued on Page 2, Col. 2)



John L. Testrake, captain of the TWA airliner, talks with reporters from the pilot's cabin.

Red Cross Refuses Role as Mediator Group Says Parties in Hijack Must Negotiate Conditions

By Bernard Weinraub
New York Times Service

GENEVA — The International Committee of the Red Cross said Wednesday that it cannot act as an intermediary between the United States and the Lebanese Shiite Moslems in return for about 40 American hostages held in Beirut.

The hostages were passengers and crew of a Trans World Airlines plane seized by Shiite gunmen last Friday on a flight from Athens to Rome.

Larry Speakes, the White House spokesman, said Tuesday in Washington that the U.S. government had asked the Red Cross to "get in touch with the Israelis" to "ascertain the status of the release of Shiite prisoners."

Robert C. McFarlane, the national security adviser, denied Wednesday that the U.S. request was an attempt to use a broker in an exchange involving the hostages.

Israel has said it would consider releasing the prisoners if it received a request from the United States but President Ronald Reagan has said he would not do so because it would encourage further terrorist incidents.

Mr. McFarlane said, "The notion is about, and it is flat wrong, that the United States is trying behind the scenes some arrangement to approach Israel over its intentions concerning the release of

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Reagan Bars Concessions To Terrorists in Hijacking

By Bernard Weinraub
New York Times Service

WASHINGTON — President Ronald Reagan, vowing that the United States would never give in to terrorists, has called on Shiite hijackers in Lebanon to free their American hostages without conditions.

Speaking Tuesday night at a nationally televised news conference, he said: "American will never make concessions to terrorists. To do so would only invite more terrorism."

Then, in an obvious reference to Israel, he added, "Nor will we ask nor pressure any other government to do so." The hijackers of the TWA jet, seized Friday, have called for the release of about 700 Lebanese Shiite Moslems detained in southern Lebanon and now being held in Israel.

Saying that "we are in the midst of a dangerous and volatile situation," Mr. Reagan declined to answer specific questions about administration efforts to free the 40 American hostages or what actions the International Committee of the Red Cross might be taking to arrange a settlement of the hostage crisis.

Mr. Reagan urged an extension of the U.S. "armed sky marshal program" to international flights of American carriers. He also proposed that U.S. airlines "review the wisdom of continuing any flights into Athens until the security situation there improves."

His proposals signaled the strongest move so far against international terrorism. The effort apparently is designed, however, not to jeopardize the lives of the approximately 40 American hostages in Beirut who were aboard the Trans World Airlines jet hijacked last Friday after leaving Athens.

Mr. Reagan issued a warning that those specifically included Lebanese leaders. "Those in Lebanon who commit these acts damage their country and their cause, and we hold them accountable," he said.

In response to the hijacking, Mr. Reagan proposed several measures including a warning to all Americans traveling through Athens International Airport that security there is lax.

"I am urging that no American enter any Middle Eastern country that does not publicly condemn and disassociate itself from this atrocity and call for the immediate safe release of our citizens," Mr. Reagan said.

The session Tuesday night was Mr. Reagan's first formal press conference since March 21 and his third since beginning his second term in January.

Mr. Reagan appeared grim-faced as he read his opening statement and responded to numerous questions about the Americans seized by Shiite gunmen aboard the TWA plane. The statement itself had been worked on by Mr. Reagan, Donald T. Regan, the White House chief of staff, and Patrick J. Buchanan, director of communications, until just before the news conference.

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Ronald Reagan

"America will never make concessions to terrorists," Mr. Reagan said. "To do so would only invite more terrorism. Nor will we ask nor pressure any other government to do so."

He added, "Once we head down that path, there will be no end to it — no end to the suffering of innocent people."

(Continued on Page 2, Col. 6)

Excerpts from President Ronald Reagan's statement on the hijacking. Page 2.

Soviet Cancels Sea Talks After Shift by Pentagon

By Leslie H. Gelb
New York Times Service

WASHINGTON — For the first time in 14 years of a U.S.-Soviet agreement on preventing dangerous incidents at sea, naval officers from the two nations have failed to hold their annual meeting.

Reagan administration officials said that Moscow had canceled the meeting, scheduled for earlier this month in Washington, after the Pentagon changed the terms for the session. The officials said this could jeopardize what they see as one of the most successful military-related pacts between the nations.

Senator John W. Warner, a Virginia Republican who, as secretary of the navy, was one of the negotiators of the 1972 accord, said Tuesday that "it is imperative we proceed with the meetings. We should not let the operation of the agreement to problems elsewhere in the world."

Officials said that Defense Secretary Caspar W. Weinberger had decided that the trip to the United States by Soviet naval officers should be shortened and shorn of all the usual social engagements in retaliation for the March 24 killing of a U.S. officer who was collecting intelligence in East Germany.

Pentagon and State Department officials said that Mr. Weinberger had made the decision despite strong opposition from the navy and the State Department and without the usual high-level deliberations at the White House.

These officials said Mr. Weinberger had ordered the navy to inform its Soviet counterparts of the change without having discussed the matter with Secretary of State George P. Shultz or Robert C. McFarlane, the national security adviser.

Administration officials said the Soviet delegation was to have visited the United States from June 9 to 17, with formal talks scheduled for June 11 to 13. They said that about a week before the meetings were to begin, Mr. Weinberger and Fred C. Ikle, the undersecretary of defense for policy, told the navy to tell Moscow that the trip had been

Laser Test On Shuttle Is a Failure

By William D. Broderick
New York Times Service

CAPE CANAVERAL, Florida — The air force fired a laser beam Wednesday in what was to have been the first space shuttle test of the U.S. program to create a space-based missile defense, but the test failed because the shuttle Discovery was out of position.

"Looks like we got some bad numbers in the digital autopilot," the spacecraft's commander, Captain Daniel C. Brandenstein, reported when he found the shuttle 180 degrees out of position when the laser was fired from Maui, Hawaii.

The astronauts had mounted an eight-inch (20.5-centimeter) reflector in a shuttle window as a target for the low-powered laser. But "it's obvious we're not pointing at the ground," Captain Brandenstein said.

Mission Control had radioed a series of numbers to the ship's computer that should have directed the autopilot to align Discovery properly. Captain Brandenstein said it appeared that the numbers had been sent in statute miles instead of nautical miles. Ground controllers concurred.

"Sorry about that," a Mission Control spokesman said. "Looks like we'll have to try later in the flight." Another opportunity is available Saturday.

The Air Force said that despite the out-of-position shuttle, the laser did "illuminate" it. This, it said, might provide some useful data.

The test of the laser, an amplified beam of light, was not meant to gather data on the ability to destroy an object in space, but rather on how much the light spreads while traveling through the atmosphere and how corrections for such spreading can be made.

Bomb Kills 3 at Frankfurt Airport

By William D. Broderick
New York Times Service

BONN — A bomb exploded in a crowded departure lounge at Frankfurt International Airport on Wednesday, killing three people and wounding 32, the police said.

Police investigators in Frankfurt said there were no claims of responsibility, nor did they immediately discover any solid clues in the wreckage indicating who could have planted the bomb.

The explosives were lodged in a wastepaper basket in the international departure lounge close to the desk of Italy's Alitalia airline.

But the ticket counters of several other foreign airlines were nearby, so it was difficult to determine which line, if any, was the actual target, the police said.

The blast was so powerful that it tore a hole three feet (one meter) deep in the concrete floor and devastated many check-in and information counters.

A man and two children were killed. All were passengers but could not be immediately identified because the bodies were too mutilated, according to a police spokesman.

The explosion took place in the early afternoon beyond the security zone where baggage is inspected. There was no warning.



The scene at Frankfurt Airport after a bomb exploded Wednesday, killing three persons.

Shiite s Stronghold — A Hostage Hideaway?

By John Kifner
New York Times Service

LARNACA, Cyprus — The most likely places for the U.S. hostages to be held are in the sprawling shantytowns around Beirut International Airport.

The areas are warrens of cinderblock hovels set amid a few larger apartment blocks and houses in a maze of dirt lanes that have become a staging area for Shiite Moslem militancy.

It would be nearly impossible, particularly given the mobilization of heavily armed Shiite militiamen, for an outsider to determine exactly where the hostages are being held, let alone for a commando force to free them from what are presumed to be several different locations.

While the area is referred to as "the southern suburbs" of Beirut, a more accurate picture is conveyed by the local phrase "belt of misery."

Such settlements used to circle Beirut before Moslems and Palestinians were expelled from the Christian areas in the north and east at the beginning of the civil war 10 years ago.

Traditionally, the Shiites have been the most impoverished and politically underrepresented group in Lebanon's unwritten 42-year-old system of dividing the spoils in which political posts are allocated by religion.

The Shiites have not only absorbed waves of refugees from Lebanon's cycle of violence — particularly Shiites from the south who fled Israeli invasions in 1978 and 1982 — but have been themselves the targets of bombs and shells.

Americans Favor Conceding to Hijack Terms, Poll Finds

By William D. Broderick
New York Times Service

WASHINGTON — A majority of Americans would rather have the United States give in to terrorist demands than see further harm come to the victims of the hijacking of TWA Flight 847, according to a Washington Post-ABC News poll.

Fifty-eight percent of the 508 people interviewed said the United States should negotiate and accede to Lebanese Shiite Moslem demands if the alternative is further injury to or murder of about 40 American men still being held.

Thirty-four percent said the United States should not negotiate, even under such circumstances.

A majority, however, rejected the idea that the United States is helpless against terrorism and endorsed the use of force against Middle East nations that are found to be aiding terrorists who prey on Americans.

Asked whether Israel has "done what it should to help resolve the hostage situation," 50 percent said it has not, 25 percent said it has, and 25 percent expressed no opinion.

The hijackers are demanding that Israel release more than 700 Lebanese Shiite prisoners.

U.S. Is Seeking More Low-Income Foreign Students

By Edward B. Fiske
New York Times Service

NEW YORK — At the Paritice Lummumba People's Friendship University on the outskirts of Moscow, 5,000 students from 105 countries study alongside young Russians training for positions as Third World advisers.

The non-Russians are among an estimated 50,000 foreign students in the Soviet Union, most of them from developing countries and virtually all on Soviet government scholarships.

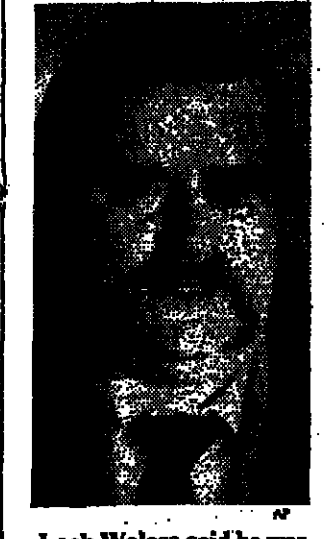
Colleges and universities in the United States have far more foreign students — 340,000 of them — but of a different sort. Only 7,500 are in the United States on government scholarships. The rest are supported by their families or home governments or are on private scholarships.

"Even those from developing countries tend to come from relatively affluent families," said Elinor Barber, of the Institute of International Education.

Because the education of foreign students is supposed to be, among other things, a means of building good will and extending U.S. influence, these statistics are attracting attention in Washington.

According to a recent U.S. Information Agency study, current policies bring members of "ruling elites" who are "not necessarily representative of the forces of change in their native countries."

Steps are being taken to open things up. Following a recommendation of the National Bipartisan Commission on Central America, a group that was headed by Henry A. Kissinger, the former secretary of state, the Agency for International Development has announced a new program that will bring 1,200 undergraduates from Central America to the United States this fall. This number will eventually reach 10,000 a year.



Lech Walesa said he was told by Polish officials to stop public attacks on the government. Page 4.

INSIDE

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- Josef Mengele's son told a German magazine about life of Nazi fugitive on the run and said he saw him only twice. Page 4.
- Mehmet Ali Agca, changing his testimony, said in court that there was a third Turk present in the square where he shot the pope. Page 4.
- British Telecom, the centerpiece of the U.K. government's plan to return state-owned companies to private ownership, said it earned \$1.93 billion in its first year as a private concern. Page 13.
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Arafat Is Seen as Only Winner In Accord on Beirut Fighting

By Jonathan C. Randal
Washington Post Service

DAMASCUS — The Syrian-engineered accord designed to end the long siege of Palestinian refugee camps in Beirut represents, in the view of some experienced diplomats here, a retreat for Damascus and all other major parties except Yasser Arafat's Palestine Liberation Organization, which rejected it.

The accord, put together by Abdel Halim Khaddam, the Syrian vice president in charge of Lebanese affairs, was signed by the Shiite Muslim Amal faction in Lebanon and by the Damascus-based Palestine National Salvation Front. Announced here Monday night, the accord acknowledged

that neither Damascus nor its Shiite allies in Lebanon had succeeded in bringing the Palestinian defenders of the refugee camps under control.

That failure, in the view of the diplomats, was evident in a clause stipulating that the Palestinians were entitled to keep their light weapons. Those are the only arms that can be used effectively in the street fighting for control of the camps.

As in the past, the Palestinians promised to surrender their heavy and medium weapons, but only at some vague point in the future when all other armed factions in Lebanon did likewise.

The Palestinians also made an important point by insisting that

security inside the camp be entrusted to the weak Lebanese gendarmerie and not to the Lebanese Army, whose 6th Brigade is made up almost entirely of Shiite soldiers who fought alongside Amal against the Palestinians.

The agreement thus tacitly conceded that the Palestinians would continue to police their camps and enjoy the state-within-a-state status that Amal has sworn to end.

Politically, the Syrians did make a potentially important point, at least on paper.

They obtained the support of the Druze Moslem leader, Walid Jumblatt, and other Lebanese political allies for their contention that the Damascus-based Palestinian forces and not Mr. Arafat's mainstream PLO should be the legitimate voice of Palestinians in Lebanon.

But most of the Palestinian fighters in Beirut are Arafat loyalists, according to the diplomats here, and even the Damascus-based Palestinians have been vehement in denouncing Syria's role in the siege of the camps.

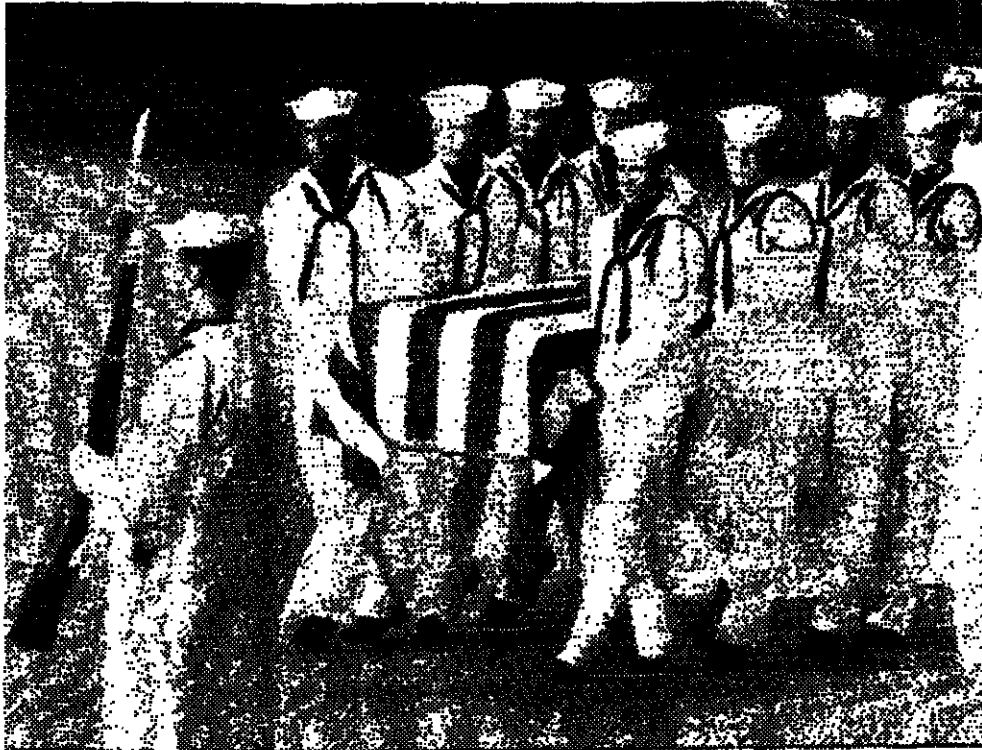
Wounded Are Evacuated
Red Cross ambulances evacuated wounded persons from the besieged Palestinian refugee camp of Borge Barajni on Wednesday as fierce fighting also raged in southern Lebanon between Syrian-backed Moslem and pro-Israeli forces, Reuters reported from Beirut.

Witnesses said that 12 ambulances had collected wounded from inside the camp in the biggest relief operation there since the Shiite-Palestinian fighting began May 19.

A Palestinian official, Fadi Shourou, who toured Borge Barajni on Tuesday and the Chila camp on Wednesday under the Syrian brokered cease-fire, said there were at least 200 wounded in the camps, with thousands trapped in squalor in Chila.

Assad in Moscow

President Hafez al-Assad of Syria flew into Moscow on Wednesday and was expected to hold talks with the Soviet leader, Mikhail S. Gorbachev, on the situation in the Middle East and in Beirut in particular, Reuters reported from Moscow.



Robert Dean Stethem, slain by hijackers, is borne from plane at Andrews Air Force Base.

TWA Says Crew Sought to Prevent Removal of Possible Jewish Passengers

By Elaine Sciolino
New York Times Service

NEW YORK — Flight attendants aboard the hijacked Trans World Airlines jet in Beirut tried but failed to dissuade hijackers from separating passengers thought to be Jewish from the others, according to TWA spokesmen in New York.

Instead, the spokesmen said, the attendants were able to persuade the hijackers that some of the passengers the hijackers suspected were Jewish were either German or Swedish.

There is confusion over the status of the passengers with Jewish-sounding names. Last Friday night, during the TWA jet's second stop in Beirut, the Lebanese Shiite Moslem hijackers forcibly removed a group of six to 12 passengers from the Boeing 727 and took them away, according to TWA.

A State Department spokesman said Tuesday that there was "no clear evidence that people with

names that were regarded as Jewish" were taken off the plane and are being held separately from the other hostages. "But we would find any such act as particularly repugnant," the department said.

Larry Speakes, the White House spokesman, said that Nabih Berri, the Shiite leader responsible for negotiations for release of the hostages, has told the Reagan administration that "half" of the group "are under his control." Mr. Berri said the other half of the group, which he put at six to 10, are controlled by "the hijackers and their accomplices," according to Mr. Speakes.

On Sunday night, Uli Derickson, the flight's purser, said at a news conference in New York that the gunmen had ordered her to collect passengers' passports and give them those with Jewish-sounding names.

"There was an argument by the crew that you cannot always tell that if a person is Jewish by surname," David C. Venz, TWA's di-

rector of corporate communications, said Monday. "That argument did not prevail."

Mrs. Derickson, a West German who dealt with the hijackers because they spoke German, was asked, "How many were there that you picked out with Jewish-sounding names?"

She replied, "Six or seven, I believe."

Later, however, she was asked, "Did you pick out the names?" "No," Mrs. Derickson replied. "That was done by the terrorists."

Attempts to reach Mrs. Derickson by telephone for further comment were unsuccessful.

Haika Grossman, a member of the Israeli parliament, the Knesset, and a survivor of the Auschwitz death camp, said in parliamentary debate Monday in Jerusalem: "I regard with great severity the TWA hijacking in which a selection was made according to the name listed in the passport, and everyone is calm about it. It sends shivers through me."

WORLD BRIEFS

Swiss Diplomat Wounded in Istanbul

ISTANBUL (Reuters) — Hans Freiburghaus, the Swiss consul-general, was shot and wounded Wednesday by a man who reportedly had been refused a visa to enter Switzerland, officials said.

Swiss officials said that Mr. Freiburghaus, 62, was hit in the chest and underwent emergency surgery at Admiral Bristol American Hospital. Hospital sources said he was conscious and had talked with Istanbul's provincial governor, Nevzat Ayaz.

Turkey's foreign minister, Vahit Halesoglu, said the gunman, whom he did not identify, had fled after shooting Mr. Freiburghaus. Mr. Halesoglu said "every effort will be made to capture the assailant, who is at large."

7 Killed in Shooting Spree in France

RENNES, France (AP) — A mental patient killed seven persons, including his father and uncle, and wounded five more Wednesday in a shooting spree across northern Brittany, the police said.

They said they arrested Guy Martel, 41, a former teacher, in Evran after he had shot people there and in six other towns.

Mr. Martel, who was armed with a .22-caliber rifle, did not resist arrest, the police said. There was no immediate explanation of how he left a hospital near Rennes or acquired the rifle.

Afghan-Pakistan Talks Resume Today

GENEVA (Reuters) — Talks between Pakistan and Afghanistan's Soviet-backed government, which resume here Thursday, will concern the possible withdrawal of Soviet troops and the return of three million Afghan refugees, a United Nations official said Wednesday.

Diego Cordovez, UN special representative on Afghanistan, told reporters that this fourth round since 1982 of the so-called proximity talks, in which the UN will shuttle between the separated delegations, will focus on issues of substance and not merely on procedural problems.

Foreign Ministers Shah Mohammed Dost of Afghanistan and Sahabzada Yaqub Khan of Pakistan will head their delegations during the five-day session. The talks will coincide with the first U.S.-Soviet meeting on Afghanistan in three years, which opened Tuesday in Washington.

U.S. Officials Are Ruled Open to Suits

WASHINGTON (AP) — The Supreme Court ruled Wednesday that high-ranking U.S. officials are not immune from lawsuits for illegal conduct while in office, but it said that former Attorney General John N. Mitchell was entitled to immunity from suits arising from illegal wiretaps conducted in 1970.

The court, in a 4-3 ruling, said Mr. Mitchell's immunity was based on the fact that it was not clear that his "actions in authorizing the wiretap violated law that was clearly established at the time of the authorization."

But the court said, by another 4-3 majority, that cabinet and other high government officials did not have absolute immunity from suits arising out of allegedly unconstitutional conduct while in office.

In another case, in which it refused to invalidate most of the State of Washington's obscenity law, the court ruled that such a law cannot ban something simply because it incites "lust." It said that the word had acquired "acceptable connotations," including "a healthy, wholesome, human reaction common to millions of well-adjusted persons in our society."

Frankfurt Court Acquits 6 Protesters

FRANKFURT (Combined Dispatches) — A court acquitted Wednesday six students charged with blocking a U.S. Army depot on the ground that the basing of Pershing-2 nuclear missiles in West Germany is unconstitutional.

The Pershing-2 was described as a "first strike" weapon, and the court found that its deployment violated the preamble to the West German constitution that bars any policy endangering the eventual reunification of Germany and also violates the explicit constitutional ban on aggression.

The Bonn government said Wednesday that 54 of a planned total of 108 Pershing-2s have been stationed in West Germany. It was the first time that a figure has been given on the deployment program. (UPI, Reuters)

Tamil Group Says It Still Is Fighting

NEW DELHI (AP) — A major Tamil separatist group said Wednesday it had not stopped fighting despite an announcement in Colombo, Sri Lanka, that a cease-fire had been arranged.

The statement, by the Liberation Tigers of Tamil Eelam, said the four parties of the National Eelam Liberation Front had rejected the truce unanimously.

But reports from Colombo suggested that pressure from India had caused the guerrillas in the north to tacitly observe the cease-fire. Tamil sources reported that India had begun patrolling the Palk Strait between the countries to seal off the island from separatists based in India.

For the Record

A national strike by French railroad workers disrupted more than half of the country's passenger train services on Wednesday, a railway spokesman said.

Prison sentences imposed on two Swiss pilots over a 1977 crash off Madeira in which 36 passengers died have been canceled, their defense attorney said Wednesday, because the seven-and-a-half-year statute of limitations expired Tuesday before a final court ruling on their appeals had been made.

Iran said its troops launched a three-pronged hit-and-run raid Wednesday across the border with Iraq, killing or wounding more than 250 Iraqi soldiers. Iran has rejected an Iraqi declaration of a 15-day moratorium effective last Saturday on air strikes on Iranian cities.

Communists in India shot and killed Neta Hakimuddin, a Moslem leader of Prime Minister Rajiv Gandhi's Congress (I) Party, on Wednesday Meerut, 50 miles (about 80 kilometers) northeast of New Delhi. (AP)

Reagan Bars Concessions to Terrorists

(Continued from Page 1)

cent people, no end to the ransom all civilized nations must pay."

Mr. Reagan said in response to a question that "our understanding" is that Israel's holding of more than 700 Shiite prisoners, after taking them across a national frontier, is in violation of the Geneva accords. But he said that the United States would not "interfere" with Israel's decision on whether to release the prisoners.

In response to another question, Mr. Reagan said that the U.S. role in the United Nations peacekeeping force in Beirut and its support for Israel had created "rampant anti-Americanism among those who don't want peace with Israel."

He said that the Israeli government had been moving toward releasing the Shites it has in detention camps, but said the hijacking had created a "linkage" that would make it appear that both Israel and the United States were giving in to terrorist demands.

In response to a question several moments later, Mr. Reagan called the entire hostage situation "frustrating."

"I've pounded a few walls myself," he said.

Mr. Reagan, in response to a question, said that discussions held by Americans involving the hostages also included the status of seven Americans who have been kidnapped and are being held in captivity in Lebanon.

The president said that his administration had used every effort to find them. "We cannot give up on them," Mr. Reagan said. "I hope that they have confidence in that."

When asked about his pledge to pursue a policy of swift and effective retribution in terrorist actions against the United States, Mr. Reagan responded that the earlier instances had involved a government as "the source for the evil."

TWA case, he said, there was a problem of identifying the perpetrators and their accomplices.

"We have used our utmost capacity" to try to find the people, Mr. Reagan said.

Mr. Reagan said that his central priority was the safe return of all the hostages and that realization was extremely risky. "You can't just start shooting without having someone in your gun sights," he said, adding that the hijackers "have no hesitation about murder."

He said that Nabih Berri, the Shiite Moslem leader, was acting as an individual and not as a cabinet minister of the Lebanese government. Asked whether Mr. Berri was more the problem than the solution, Mr. Reagan responded by snapping his finger and saying, "He could be the solution that quickly."

Israeli Reaction

An Israel government official welcomed President Ronald Reagan's approach to dealing with the Beirut hijackers. The New York Times reported from Jerusalem on Wednesday.

"We think Reagan's whole approach of not yielding to terror and not asking others to yield is correct," said a senior Foreign Ministry official, who declined to be identified. "The Americans have been very careful not to approach

us and ask for the release of the 700 Shiite detainees, or even to give the impression of approaching us."

"We were going to release these men anyway," said the Foreign Ministry official, "but we cannot be expected to release them at gunpoint."

Soviet Cancels Sea Meeting

(Continued from Page 1)

seek a mutually convenient date in the future when the talks can be held under appropriate circumstances."

Despite the chance that the meetings will resume, other officials said they were concerned that the U.S. move would be seen by Moscow as breaking precedent. That opens the way for Moscow to do the same and risks undermining a process that has worked well for both sides, these officials said.

In 1972, Moscow and Washington signed an Agreement on the Prevention of Incidents On and Over the High Seas. The purpose was to reduce the number of dangerous confrontations that stemmed from the regular contact between the two navies by setting up rules of the seas and regular meetings to work out details.

Navy Secretary John F. Lehman has said that the agreement "worked very successfully" in reducing serious incidents to one or two a year, "way down from what it was in the 1960s and early 1970s."

In a 1983 statement he termed the pact "a good example of functional, navy-to-navy process" that "is helping to really stabilize the naval balance." He said it was one area of Soviet-U.S. relations "that's getting better rather than worse."

House Votes 40-MX Limit

(Continued from Page 1)

12 new missiles this year with the House position of zero. Since Congress has already authorized the purchase of 42 missiles in previous years, any weapons that exceeded the deployment limit would be used for spare and test purposes.

At his news conference Tuesday night, Mr. Reagan repeated his support for the MX and said it was vital to the modernization of the U.S. strategic force. "We need it," he said.

Mr. Reagan also said it had become possible to strengthen the silos containing the missiles to the point at which they could sustain "a very direct hit" from a Soviet missile.

However, many lawmakers have come to believe that other strategic systems, such as the submarine-based D-5 missile, offer much more protection than the MX. They have also decided that a smaller and more mobile missile, the Midgetman, will become available in the next few years and fill the gap left by the truncated MX program.

A third reason for the Tuesday vote was a rising fear about budget deficits that would force Congress to make difficult choices about weapons systems for the foreseeable future.

'U.S. Is a Nation Being Attacked by Terrorists'

The Associated Press
WASHINGTON — Following is an excerpted transcript of President Ronald Reagan's opening remarks at his news conference Tuesday night on the hijacking crisis:

The United States is tonight a nation being attacked by international terrorists, who wantonly kill and who seize our innocent citizens as their prisoners.

In response to this situation, I'm directing that the following steps be taken:

I have directed the secretary of transportation, in cooperation with the secretary of state, to explore immediately an expansion of our armed sky marshal program aboard international flights of U.S. air carriers, for better protection of passengers.

I have directed the secretary of state to issue an immediate travel advisory for U.S. citizens traveling through the Athens International Airport warning them of dangers. This warning shall remain in effect until the Greek government has improved the security situation there and until it has demonstrated a willingness to comply with the security provisions of the U.S.-Greek Civil Aviation Agreement and the Tokyo, Montreal and Hague Conventions regarding prosecution and punishment of air pirates.

I have asked for a full explanation for the events surrounding the takeover of the aircraft in Athens. I have appealed through the Department of Transportation and the Federal Aviation Administration for all U.S. air carriers to review the wisdom of continuing any flights into Athens until the security situation there improves.

And further, I have asked Secretaries Shultz and Dole to report to me on whether we should terminate the service of foreign air carriers whose governments do not honor international conventions or provide adequate security at their airports.

I'm calling on all allied and friendly governments to redouble their efforts to improve airport security and take other measures to prevent the hijacking of aircraft. I will also be asking them to take steps to prevent travel to places where lawlessness is rampant and innocent passengers are unprotected, and I'm urging that no American enter any Middle Eastern country that does not publicly condemn and disassociate itself from this atrocity and call for the immediate safe release of our citizens.

Let me further make it plain to the assassins in Beirut and their accomplices, wherever they may be, that America will never make concessions to terrorists. To do so would only invite more terrorism. Nor will we ask nor pressure any other government to do so. Once we head down that path there will be no end to it, no end to the suffering of innocent people, no end to the bloody ransom all civilized nations must pay.

Mr. Reagan said in response to a question that "our understanding" is that Israel's holding of more than 700 Shiite prisoners, after taking them across a national frontier, is in violation of the Geneva accords. But he said that the United States would not "interfere" with Israel's decision on whether to release the prisoners.

In response to another question, Mr. Reagan said that the U.S. role in the United Nations peacekeeping force in Beirut and its support for Israel had created "rampant anti-Americanism among those who don't want peace with Israel."

He said that the Israeli government had been moving toward releasing the Shites it has in detention camps, but said the hijacking had created a "linkage" that would make it appear that both Israel and the United States were giving in to terrorist demands.

In response to a question several moments later, Mr. Reagan called the entire hostage situation "frustrating."

"I've pounded a few walls myself," he said.

Mr. Reagan, in response to a question, said that discussions held by Americans involving the hostages also included the status of seven Americans who have been kidnapped and are being held in captivity in Lebanon.

Red Cross Refuses to Mediate in Hijacking

(Continued from Page 1)

ment that the Red Cross could broker some kind of phased movement.

He said that checking the status of prisoners was part of the role of the Red Cross and the United States had not asked it to intervene in the hostage crisis.

Red Cross policy on mediation in hostage cases is to consider overseeing a release only at the request of all parties involved. It does not take initiatives of its own, and the parties directly involved have to negotiate the conditions.

The Red Cross spokesman said that Israel had made no request to the organization.

He said that the Geneva-based organization also would need the consent of the hijackers before acting as an intermediary in the release of the American hostages.

Pilot Warns Against Raid
Hostages from a hijacked TWA jet would face certain death if a rescue raid were attempted, the plane's pilot said Wednesday in brief interviews from the cockpit where he was held at gunpoint. The Associated Press reported from Beirut.

Thailand's Air Force To Buy F-16s From U.S.

Agence France-Press
BANGKOK — The Thai cabinet has approved the purchase of 12 F-16 jet fighters from the United States for 10.3 billion baht (\$378 million), Deputy Defense Minister Panang Kantarat said.

He said Tuesday that the contract would be signed June 24 and delivery would begin in 1988. The air force would pay 2.2 billion baht of the total cost this year, he added, with the balance being paid over the next four years.

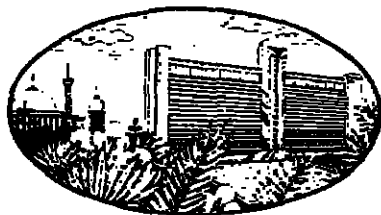
U.S. 'Will Not Rest'

Secretary of State George P. Shultz said Wednesday that the United States "will not rest" until Shiite Moslems release the American hostages. King Hussein of Jordan, he said, has joined in condemning the hijacking. United Press International reported from Washington.

Spanish Trial Opens
A Shiite Moslem gunman, whose release is sought by the hijackers of the TWA plane, acknowledged on the opening day of his trial in a Spanish court Wednesday that he

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Efforts to Recruit U.S. Soldiers as Spies Rise Sharply, Army Says

By Richard Halloran
New York Times Service

WASHINGTON — The U.S. Army says there has been an increase in reports of attempts by Soviet and other East European intelligence services to recruit American soldiers as spies.

In interviews, army officers said there were 481 incidents last year in which soldiers reported being approached by persons they suspected of being Soviet or East European intelligence officers, or by sympathizers in nations such as West Germany. That was a 400-percent increase over 1978, the officers said.

Of those, they said, 94 cases were referred to army counterintelligence for possible action. That would include having the U.S. soldier act as a double agent to obtain information from those who had recruited him.

These contacts were disclosed after the army began a review of its security procedures following the arrest of four present or former U.S. Navy men accused by federal officials of participating in an espionage ring that the government says was headed by John A. Walker Jr.

The officers said that the army opened 124 investigations of suspected approaches in the three months ended Dec. 31, the most recent period for which statistics were available. The majority were in the United States; 37 were in Europe and 15 in the Pacific.

The army counterintelligence program, Subversion and Espionage Directed Against the Army, is mainly an educational effort in which soldiers are instructed on detecting signs of an intelligence approach and are cautioned to report those to their superiors.

A spokesman for the navy said that everyone in that service who has clearance to see secret material is briefed periodically on watching for approaches by intelligence agents. The spokesman said that possible attempts to recruit sailors had been spotted but the navy did not release such statistics.

A spokesman for the U.S. Air Force said that his service had a similar program in which large numbers of officers and enlisted personnel were briefed. No details on recent experience were available.

The army officers said many attempts to recruit U.S. soldiers as spies in Europe were made by Germans who might be Soviet agents or who were sympathetic to the Soviet Union.

In Europe, the officers said, soldiers whose families came from Eastern Europe have been targets for approach by East European intelligence services. U.S. soldiers are permitted to travel to Eastern Europe on leave, at which time they may visit relatives.

In such instances, the officers said, intelligence agents of the East European nation would suggest to the soldiers that life could be better for their relatives if they cooperated with the intelligence agents, or worse if they did not.

There are 22,000 U.S. soldiers stationed in Europe, most in West Germany.

The officers said that the increase in reported incidents under the army program could be attributed to a combination of more approaches to U.S. soldiers by foreign intelligence services and a greater alertness by the soldiers.

The officers were less confident that they had pre-

vented soldiers with access to secret information from taking the initiative and selling that data to a foreign government. That pattern has appeared in many recent espionage cases.

"How do you know there's no Walker in the army out there?" one officer asked. "You don't know."

Walker Case Described

Susan F. Raskey of The New York Times reported from Washington:

As the family drama in the Walker spy case continued to unfold, the daughter of John A. Walker Jr., described Tuesday how she and her mother decided to turn him in to the Federal Bureau of Investigation.

Laura Walker Snyder, in a television interview, said that her mother suspected for more than a decade that Mr. Walker was a Soviet agent. Mrs. Snyder, who said her husband took their son when the couple separated three years ago, said she persuaded her mother to "turn my father in so that I can fight for my son."

She had confided in her husband, Phillip, when her father tried to recruit her for espionage, Mrs. Snyder said. After the couple separated, her husband threatened to tell what he knew if she tried to take their son. On Saturday, she went to her husband's home in Laurel, Maryland, and took the 5-year-old boy from the yard where he was playing.

Mrs. Snyder's comments, in which she discussed her religious conversion, came in an interview broadcast Tuesday morning on the Christian Broadcasting Network's "700 Club." It was the first indication that those outside the immediate family had suspected Mr. Walker of espionage.

"My husband was blackmailing me," Mrs. Snyder said. "He told me that if I tried to get the baby he would turn my father in or tell what he knew and he would destroy the family."

In portions of the interview made available Monday, Mrs. Snyder, 25, said her father had tried to recruit her as a spy six years ago when she was an army communications specialist at Fort Polk, Louisiana. Mrs. Snyder's brother, Michael Walker, is one of those accused of participating in a spy ring that the authorities say was run by John Walker.

Mrs. Snyder said she was shocked by her father's offer to pay her for stealing secret documents and that she had told her husband about it. "He turned it on me," she said.

According to Guy C. Evans, associate counsel of the Christian Broadcasting Network, Mrs. Snyder had urged her mother for nearly three years to tell the authorities about John Walker's spying, but Mrs. Walker refused.

John and Barbara Walker were divorced in 1976. According to Mrs. Snyder, her mother suspected John Walker's spying activities as far back as 1969.

According to Mr. Evans, Barbara Walker contacted Mrs. Snyder earlier this year and said she was ready to go to the FBI to turn in John Walker "because she knew that otherwise she might never see her grandchild again." In portions of the interview made available Monday, Mrs. Snyder said neither she nor her mother were aware then that Michael Walker would be implicated in the spy ring.

U.S. Study Finds Cigarette Sales Falling Since '81

The Associated Press

WASHINGTON — Cigarette sales have fallen this decade for the first time since 1969, despite record advertising spending by tobacco companies, the Federal Trade Commission said Tuesday in a report to Congress.

Sales dropped from 636 billion cigarettes in 1981 to 632 billion in 1982, the agency said. In 1983, sales dropped again, to 584.4 billion.

Spending on advertising climbed to nearly \$2.7 billion in 1983.

"During 1982-83, cigarette manufacturers continued to concentrate on associating smoking with success and a luxurious lifestyle," the commission observed.

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EMBASSY OCCUPIED — About 50 persons, mostly West Germans, took over the West German Embassy in Nicaragua after scaling the walls Tuesday. They demanded that Ambassador Horst Heubmann seek the release of a West German ecologist, Regina Schönmann, who was kidnapped Friday during a guerrilla attack at Puerto Cabezas, 210 miles east of Managua, and condemned U.S. support of the guerrillas.

Guatemala's Guerrillas Stay Active Despite Growing Army Pressure

By William R. Long
Los Angeles Times Service

NEBAJ, Guatemala — During a thunderstorm one recent evening, Major Francisco Martin's troops scoured the steep, wooded mountains north of here for guerrillas of the Ho Chi Minh Front while the major shouted encouragement to them over a field radio.

The next morning, the patrol reported that the guerrillas had melted into the darkness and rain without firing a shot — but four soldiers had been injured by lightning.

Major Martin shrugged off the frustration. He is used to it.

The guerrillas rarely confront the aggressive Guatemalan government forces in open battle. Instead, they surprise small army patrols with hit-and-run attacks, ambush army road-building details, sabotage pipelines and fire on mountain villages from a distance.

"It is a game of cat and mouse; we take the initiative, and they take off," Major Martin said.

In other parts of Guatemala where Marxist-led guerrillas are active, the story is much the same. Increasingly, since 1982, the army has dominated the war, but the guerrillas have shown a tenacious ability to stay active and elusive.

Although the guerrilla war in Guatemala receives less international attention than those in El Salvador and Nicaragua, it is proving to be no less enduring.

With virtually no U.S. aid, the tough and sometimes ruthless Guatemalan Army has reduced the guerrilla movement's estimated strength from as many as 6,000 fighters at its peak in 1981 to about 1,500 now.

But as the 30,000-man army has pushed the guerrillas deeper into isolated areas, it has been hampered increasingly by logistical problems. Officers complain of a desperate lack of vehicles, especially helicopters, for moving troops and supplies.

"If we had one-fourth or one-fifth of the helicopters that the United States has given El Salvador or Honduras," Major Martin said, "we would already have finished off the problem."

Early this year, the guerrillas announced what they called a "new phase" of intensified action. They stepped up their raids and ambushes, and for brief periods they occupied several towns and plantations.

Thirteen soldiers were killed in an ambush in Huehuetenango province on Jan. 29. In all, the army lists 38 men lost in guerrilla clashes during the first four months of the year.

In 1984, there were 227 military deaths and 201 guerrilla deaths, according to a U.S. Embassy compilation, down from a combined total of 1,168 military and guerrilla deaths in 1983.

The heaviest fighting between government troops and guerrillas was in 1982. In that year, the country's four separate guerrilla armies joined in an alliance called Guatemalan National Revolutionary Unity.

The army says the alliance was formed at the insistence of the revolutionary governments of Cuba and Nicaragua as a condition of aid for the Guatemalan rebels.

The strongest of the four groups has been the Guerrilla Army of the Poor, known by its Spanish initials EGP. It is divided into fronts named for international revolutionary heroes: the Commander Ernesto Guevara Front, based in Huehuetenango province, and the Ho Chi Minh Front and Augusto Cesar Sandino Front, both in Quiché province.

The Revolutionary Armed Forces is strongest in the western jungles of Peten, Guatemala's huge northernmost province. Its actions this year have included holding up tourist buses on a jungle road to Guatemala's famous Mayan ruins at Tikal.

The Revolutionary Organization of Armed People is most active south and west of Lake Atitlan and from the lake through San Marcos province. In its most spectacular action this year, the group burned the city hall at Santiago Atitlan, an Indian community on the southern shore of Lake Atitlan that is frequented by foreign tourists.

This activity has demonstrated

the guerrillas' presence in widespread rural areas, but it has failed to take the initiative away from the army, according to Guatemalan and foreign analysts.

Major Martin and other commanders interviewed in four western provinces expressed confidence that the trend of declining guerrilla strength will continue. But some army officers acknowledge that no final victory over the guerrillas is in sight.

"The problem we have is Mexico," Major Martin said, "because through the Mexican border, they receive arms and ammunition."

EC Will Retaliate if U.S. Restricts Pasta Imports

The Associated Press

LUXEMBOURG — The European Community said Wednesday that it would retaliate if the United States carried out a pledge to restrict pasta imports from the 10-nation trading bloc.

The declaration by EC foreign ministers underscored a heightening of tensions between Western Europe and the United States on a broad range of trade issues.

A separate statement criticized Japan for not moving fast enough in opening its markets to imports from Western Europe. It said Japan remained "out of step" in the volume of its imports of manufactured goods.

Giulio Andreotti, the Italian foreign minister, said the EC would undertake a full review of its relations with Japan with an eye toward making a policy decision in the autumn. He noted that Japanese-EC trade relations would be the major topic of discussion when the Japanese prime minister, Yasuhiro Nakasone, visited the community's headquarters in Brussels on July 19.

Willy De Clercq, the EC commissioner in charge of foreign trade relations, accused the administration of President Ronald Reagan of being hypocritical in threatening to curb pasta imports.

Mr. Reagan is expected to decide Thursday whether to impose the

curbs in response to the EC's refusal to revise preferential agreements with 11 Mediterranean countries on imports of citrus fruit.

"You cannot, on the one side, say you are for liberalization of trade and, on the other side, take unilateral actions which undermine the system you claim to be defending," Mr. De Clercq said.

The ministers' statement called the threatened U.S. action "particularly ill-timed," in view of American efforts to persuade the Europeans that a new round of global trade liberalization talks should be started early next year.

The Reagan administration has complained that EC citrus trade arrangements with Mediterranean countries violate international trade rules because they do not provide equal treatment for American citrus exporters.

The EC contends that the arrangements are legal because they are part of its development policy for the area. The Americans say the arrangements have cost U.S. citrus exporters \$48 million a year in lost business.

The EC declaration urged the Reagan administration to reconsider any unilateral measures it might be contemplating.

Nearly half of U.S. pasta imports come from Italy, according to EC figures.

Breaking new ground

Last summer, Uwe Hohn of GDR broke new ground in the javelin with a world record of 104.80 metres. That throw went unmatched — and virtually unchallenged — in a summer when East and West rarely met in athletics.

This summer, the best throwers, runners, jumpers, and vaulters will have 16 chances to meet in the IAAF Mobil Grand Prix. Sponsored by Mobil and organized by the International Amateur Athletic Federation, this first-ever international season got underway in San Jose, California, on 25 May, and culminates with the

Grand Prix finals in Rome on 7 September. Upcoming are the DN-Galan in Stockholm on 2 July and the World Games in Helsinki on 4 July.

Grand Prix points are awarded to athletes on the basis of their performances and times. World records gain extra points. At the conclusion of the overall Grand Prix, titles will be awarded to the outstanding male and female athletes and to the outstanding performers in each event.

With this competition, Mobil is pleased to be breaking new ground in athletics. That's the point of it all.

IAAF Mobil Grand Prix

Here's the 1985 IAAF Mobil Grand Prix schedule:

Bruce Jenner's Bud Light Classic	San Jose, California	25 May	Bislett Games	Oslo	27 July
The Prefontaine Classic	Eugene, Oregon	1 June	IAC	London	2 August
Znamensky Memorial	Moscow	8 June	Budapest Grand Prix	Budapest	4 August
Roskilly Memorial	Prague	22 June	Weltklasse	Zürich	21 August
DNV-Galen	Stockholm	2 July	ESTAF	West Berlin	23 August
World Games Helsinki	Helsinki	4 July	Weltklasse	Cologne	25 August
Nikaia	Nice	16 July	ho Van Damme Memorial	Brussels	30 August
Pouquet Talbot Games	London	19 July	IAAF Mobil Grand Prix Final	Rome	7 September

U.S., in Shift, Endorses Loan to Chile

Washington Post Service

WASHINGTON — The United States has reversed course in its policy toward Chile, voting in favor of a \$55 million development loan from the World Bank. It had abstained since February on other loan requests as a way of protesting human rights violations.

State Department officials said that the change of position was in response to President Augusto Pinochet's ending of the state of siege in Chile.

But in Congress, a key representative protested that the change by Washington was premature and had been made without sending the required notification to Congress.

"I can't accept this immediate change in our position and violat-

ing the law with regard to consultation as a reasonable response to the Chilean government just making this announcement," said Representative Stanley L. Lundine, Democrat of New York. He is chairman of the Banking, Finance and Urban Affairs subcommittee on international development institutions and finance.

[On Tuesday, Chile's military government banned political meetings in Santiago, Reuters reported. The ban was announced by the military commander for Santiago under the state of emergency.]

[Government permission will be required for all other meetings, except for private or family gatherings or shows in places normally used for entertainment.]

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Walesa Says He Was Warned to Be Quiet

Reuters
WARSAW — Lech Walesa, leader of Poland's banned Solidarity trade union, said he was told by prosecutors Wednesday to stop public attacks on government policies.

He told Western reporters that officials had informed him that if he continued to issue critical statements, he might find himself in a

different position and that "different measures" might be taken against him.

Mr. Walesa said he was summoned to the provincial prosecutor's office in Gdansk and told that he still was under investigation on the charges under which three senior Solidarity activists were sent to prison last week.

He said he did not speak during

the brief meeting at the prosecutor's office. Mr. Walesa handed over a text that said, "The trial of Wladyslaw Frasyniuk, Bogdan Lis and Adam Michnik has reinforced my conviction that there is only one form of dignified behavior before the courts, prosecutor or police — that is the refusal of any testimony or any conversation. Therefore, I refuse to testify."

Mr. Walesa said that officials mentioned a statement he made on June 11 during the trial of the three activists, who were sentenced to two and a half to three and a half years in prison for planning a 15-minute strike to protest increases in food prices.

That statement described the prosecution as "terroristic" and said that the circumstances of the trial "obliged me to declare that peaceful methods of struggle for reform of the state and for union freedoms are now threatened."

Mr. Walesa was interned for 11 months after Solidarity was suppressed under martial law in December 1981 but he has not been detained since.

Michnik Issues Statement
Michael T. Kaufman of The New York Times reported from Warsaw: Mr. Michnik has said that his trial showed that "fascism has knocked on the doors of Polish homes." He made the statement in an eight-page letter smuggled from his prison cell.

Mr. Michnik, 38, said the court's muzzling of the defendants and the exclusion of observers signaled the trampling of judicial traditions. He charged that the presiding judge, Krzysztof Ziemiuk, had maintained close contact for years with the Polish security apparatus.

The rights of the defendants at their trial were squelched more crudely than in the past, Mr. Michnik wrote. He said this was shown by the open use of surreptitiously taped materials that were concealed in the past, by the use of only police officers as witnesses and by the barring of foreign reporters.



NEW VOICE — Friedhelm Ost, a television editor, has succeeded Peter Boenisch as chief spokesman for the West German government.

Mengele's Son Tells Magazine About Nazi's Life on the Run

By James M. Markham
New York Times Service

MUNICH — Josef Mengele, the Nazi war criminal, saw his son, Rolf, for the first time during a ski vacation in Switzerland in 1956, when the boy was 12 years old, according to information supplied by the son to a Munich magazine.

Three years later, the boy learned that the hard-skinned "uncle" who had been introduced to him as Helmut Gregor was his father, according to Bunte.

In its issue appearing Thursday, the magazine reports that Josef Mengele, who was a medical officer in the Nazi SS on the Russian front and later at the Auschwitz death camp in Poland, was in hiding for four years after the war, working as a grocer on a farm in Bavaria.

In 1949, the magazine says, he was detained briefly by the Italian police as he was making his way to South America.

For the last week, according to Bunte's editors, Rolf Mengele has been telling of his relationship with his father, who he says drowned in Brazil in 1979.

Mr. Mengele, 41, a lawyer in West Germany, was reported to have turned over to Bunte more than 300 pages (about 140 kilograms) of notebooks, letters and photographs on his father's life.

In another aspect of the Mengele case, the Hamburg weekly magazine Stern said it had acquired more than 100 photographs of Dr. Mengele, letters, notebooks and philosophical musings and also three tape recordings of his voice.

(Stern published 11 photographs Wednesday of a graying man with a mustache in various relaxed situations in South America, playing with children, paddling a boat,

building a house and posing with Rolf Mengele.)

Günther Schönfeld, a spokesman for Stern, declined to say how the magazine had obtained the materials. But sources in Brazil and West Germany said that it purchased them from Wolfram and Liselotte Bossert, an Austrian couple who say they gave shelter to Dr. Mengele before, as they insist, he drowned.

Bunte says that Rolf Mengele supplied his testimony and the documents without charge, stipulating that any profits the magazine made be given to Auschwitz survivors.

The reputation and credibility of Stern were severely damaged in April 1983 when it published what it triumphantly announced as long-lost diaries of Hitler. They were quickly proven to be forgeries.

At Auschwitz in 1943 and 1944, Dr. Mengele stood on the ramp as trainloads of Jews arrived and waved those unsuited for labor to gas chambers and others to barracks for workers at plants. He carried out bizarre and gruesome experiments on prisoners.

Bunte makes these points about Dr. Mengele: "While he was in hiding after the war he worked in Rosenheim for a farmer 'who only wondered at how often the groom washed his hands.'"

"He was arrested in Genoa in 1949 but the police, after holding him for three weeks, released him 'with friendly apologies.'"

"Rolf Mengele insists that, contrary to rumors, his father received no help from some Odessa-style underground organization of former Nazis nor did U.S. intelligence services aid him in forging a new life in South America."

• Hans-Ulrich Udel, a much decorated German pilot in World War II, who after the war became a vehement Hitler apologist and neo-Nazi chief, apparently intervened with General Alfredo Stroessner, president of Paraguay, to obtain citizenship for Dr. Mengele.

• The Mengele family always knew where the fugitive was and his father, Karl, visited him in Argentina. The father died in 1959. Hans Sedlmeier, a manager of the Bavaria-based Mengele farm machinery business, made "countless" visits to Dr. Mengele in South America.

• Dr. Mengele lived on about \$100 to \$150 a month while in South America. The family sent him money, but Rolf Mengele says he never did.

Illustrated by numerous photographs of Dr. Mengele in South America, the Bunte article sketches what it hints will be deeper treatment in a five-part series — and it carefully hangs its assertions about Dr. Mengele's life on its son.

It portrays Rolf Mengele as having had a strained relationship with his father, whom he is said to have met only twice — first during the war when he was in Switzerland in 1956 and then in 1977 during a 14-day visit to São Paulo. Mr. Mengele reportedly told the magazine he flew to Brazil on a regular Varig Airlines flight under his own name.

"The man who stood before me in 1977 was a terrified creature," Mr. Mengele told Bunte, adding that his father was prone to depressive, fearful and suicidal moods.

Even so, according to the magazine, Dr. Mengele was unrepentant for his activities in Auschwitz, where he was estimated to have directed 400,000 people to their deaths. In a letter to his son, Dr. Mengele declared that he had no need "to justify or at all apologize."

In a telephone interview, Andreas Hillgruber, a West German historian who inspected Bunte's documents, said that Dr. Mengele emerged as "an unrepentant Nazi who holds to everything he did without regret."

"Everything speaks for their being authentic," said Mr. Hillgruber, an authority on the Nazi period. "If they were falsified something would have been done to make him more attractive — as was the case with the Hitler diaries."

Zhao Concludes European Visit

Reuters
AMSTERDAM — Prime Minister Zhao Ziyang of China visited the Rijksmuseum and took a boat tour here Tuesday before his return to Beijing after a trip that also took him to Britain and West Germany.

During his four-day stay in the Netherlands, Mr. Zhao talked with Prime Minister Ruud Lubbers on bilateral and international affairs and signed an investment protection agreement.

Mr. Zhao said there were prospects of large orders for Dutch construction and agricultural companies in China and that his visit had strengthened ties that have been strained since 1980, when The Hague agreed to sell two submarines to Taiwan.

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Agca Now Says a 3d Turk Was Present at Shooting

The Associated Press
ROME — Mehmet Ali Agca testified Wednesday that a third Turkish conspirator was in St. Peter's Square the day he shot Pope John Paul II.

In previous testimony, Mr. Agca had insisted that the only other accomplice in the square on May 13, 1981, was Oral Celik, a Turk who has been charged as a plotter.

Mr. Agca also testified that he had met in prison with an Italian secret service agent who persuaded him to turn state's evidence. But he denied that he had been coached to implicate Bulgarians in the plot.

In all, three Bulgarians and four Turks have been charged along with him with complicity in the

shooting. Four of the defendants are being tried in absentia.

Under intense interrogation by Judge Severino Santiapichi, Mr. Agca changed his earlier testimony. He said the third man in the square with him and Mr. Celik had been known as "Akif" and that he had been supposed to set off hand grenades to cause panic and cover the three men's escape.

Earlier, Mr. Agca said Mr. Celik had been carrying the grenades in a bag. But he said Wednesday that he had been lying.

Pressed to identify "Akif" further, Mr. Agca said his real name was Omer Ay.

But when the judge showed Mr. Agca a police photograph of Mr. Ay, Mr. Agca said he was not the

third man. The picture was available in court because Mr. Ay had previously been investigated; no charges were lodged against him.

Mr. Ay was extradited from West Germany to Turkey and was sentenced to life by a martial law court in the southeastern province of Malatya for killing a leftist politician. Malatya is where Mr. Agca was born.

The judge also showed Mr. Agca a photograph taken by a tourist. Mr. Agca pointed to a face in the crowd and identified him simply as "Akif."

The man in the picture was looking

to the spot where Mr. Agca said he and Mr. Celik had been standing before the shooting. All the others in the photograph were looking toward the pope.

In explaining in later testimony why he had decided to turn state's evidence, Mr. Agca said he was visited in prison by Francesco Pazienza, once an aide to the former head of Italy's military intelligence.

Mr. Pazienza escaped from an Italian prison but was captured last March in New York City. Italy is seeking his extradition to face charges of corrupting the secret services, espionage, revealing state secrets and criminal association with mobsters.

Mr. Agca said Mr. Pazienza had persuaded him to talk to the authorities with a promise of freedom and a French passport.

"But no one suggested anything to me," he said.

A gangster who turned state's evidence in another trial, Giovanni Pandico, asserted that Mr. Agca had been coached by Italian secret service agents and mob bosses to implicate Bulgaria and the Soviet Union in the shooting.

Mr. Agca is expected to continue testifying Thursday.

Japanese Says U.S. Criticism Was 'Reckless'

Agence France-Press
TOKYO — Foreign Minister Shintaro Abe said Wednesday that a recent critical U.S. Senate resolution demanding a faster Japanese military buildup was "reckless."

Replying to questions from an opposition member in the lower house of parliament during a foreign affairs committee meeting, Mr. Abe said that the U.S. Congress failed to understand Japan.

On June 11, the U.S. Senate accused Japan of not providing sufficient resources to meet its basic military needs. The resolution coincided with a visit to Washington by Defense Minister Koichi Kato.

Mr. Kato told another committee that Japan would develop its military capability on its own initiative, not under U.S. pressure.

He said that Japan was drafting a five-year plan to achieve armament levels set in 1976, which set ceilings for a ground force of 180,000, a naval force of 16 submarines, 60 surface ships and 200 combat aircraft, and an air force of 430 aircraft.

Marshal Moskalkenko Is Dead in Russia at 83

New York Times Service

MOSCOW — The Soviet Union's longest-serving marshal, Kirill S. Moskalkenko, 83, who helped develop the nation's strategic missile forces, has died after a serious illness, Soviet television reported.

In an obituary signed by Mikhail S. Gorbachev, the Soviet leader, and other political and military figures,

Marshal Moskalkenko was praised Monday for his long and varied service.

His military career started in 1920, when he fought with the Red Army in the civil war, and he worked his way to the nation's highest military rank in 1955. He commanded the prestigious Moscow garrison and then headed the strategic missile forces.

Marshal Moskalkenko was politically active, serving as a member of the Communist Party Central Committee and, since 1946, of the Supreme Soviet, or parliament.

Other deaths:

John Bonington, 71, who teamed up with his twin brother, Roy, to make some of Britain's best-known films, including "I'm All Right Jack," Tuesday of cancer in a London hospital.

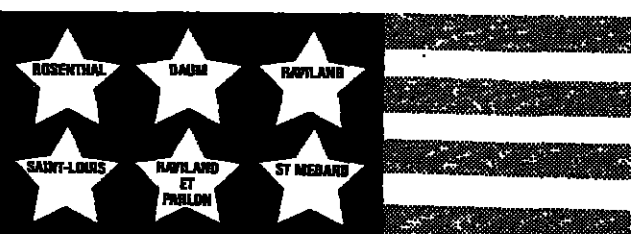
Susumu Kadowaki, 88, a former Japanese ambassador to both the Soviet Union and Italy, Tuesday of breathing complications at a Tokyo hospital.

Paul Collin, 93, one of France's most famous poster artists, Tuesday at his home in Nogent-sur-Marne.

Greek Soldier Dies in Mishap

The Associated Press

SALONIKA, Greece — A Greek Army bomb disposal expert was killed Tuesday, and four soldiers were injured during an exercise in setting mines, military sources said.



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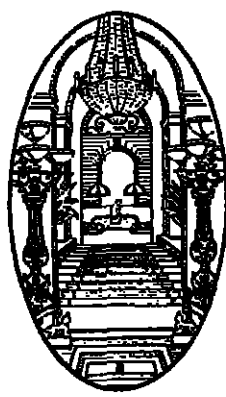
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SCIENCE

California Magma Pool May Prove Energy Source

By Walter Sullivan
New York Times Service

THREE-DIMENSIONAL mapping of molten rock beneath the area east of Yosemite National Park in California has confirmed the existence of a chamber, filled with magma that is at least eight miles wide and six miles deep (13 kilometers by 10 kilometers). The aim of the mapping was two-fold: to assess the likelihood of volcanic eruptions near the Nevada border and to evaluate the site's potential as an energy source.

Various oil prospecting techniques were used, as well as drill holes, to sample the buried struc-

tures and perform subterranean earthquake monitoring. Small quakes that frequently occur in the area have been analyzed from surface stations to chart the buried magma chamber. Artificial quakes have been produced by one-ton chemical explosions and by lines of special trucks that set the ground vibrating at various frequencies.

The tests, described at a recent meeting of the American Geophysical Union in Baltimore, suggest that one part of the magma chamber may come within two miles of the surface. This is of special interest to the Magma Energy Technology Program of the U.S. Energy

Department, which is seeking to exploit such deposits as energy sources and is a co-sponsor of the survey.

The magma chamber lies beneath the Long Valley Caldera, a volcanic depression 20 miles long and 10 miles wide left by an explosive eruption about 700,000 years ago that hurled 140 cubic miles of ash into the sky, blanketing much of the western United States.

Volcano specialists have found no reason to believe eruptions there are at an end. They emphasize, however, that despite continued swelling of the Long Valley Caldera and recurring earthquakes beneath it, including a moderately severe one in November, there are no indications that a great eruption is imminent.

Smaller eruptions within the past 1,000 years have left a five-mile row of craters, the Inyo Domes, extending northward from within the caldera. Tree-ring counts indicate that the last occurred 470 years ago. Extensive experiments aimed at understanding the mechanics of those outpourings were described at the Baltimore meeting by scientists from the Sandia and Lawrence Livermore National Laboratories, the U.S. Geological Survey and several universities.

Holes drilled obliquely into the Inyo Domes confirmed that the

domes were produced by lava flowing up through a single north-south fissure, leaving a buried wall, or dike, of volcanic rock.

The Long Valley Caldera has long been a focus of geological studies. In 1973 seismic surveys began to suggest that a large magma chamber lay under the caldera. Subsequently swarms of earthquakes and swelling of the caldera appeared to indicate that magma was flowing into the chamber, and in 1982 the Geological Survey warned that an eruption might take place.

A central region of the caldera

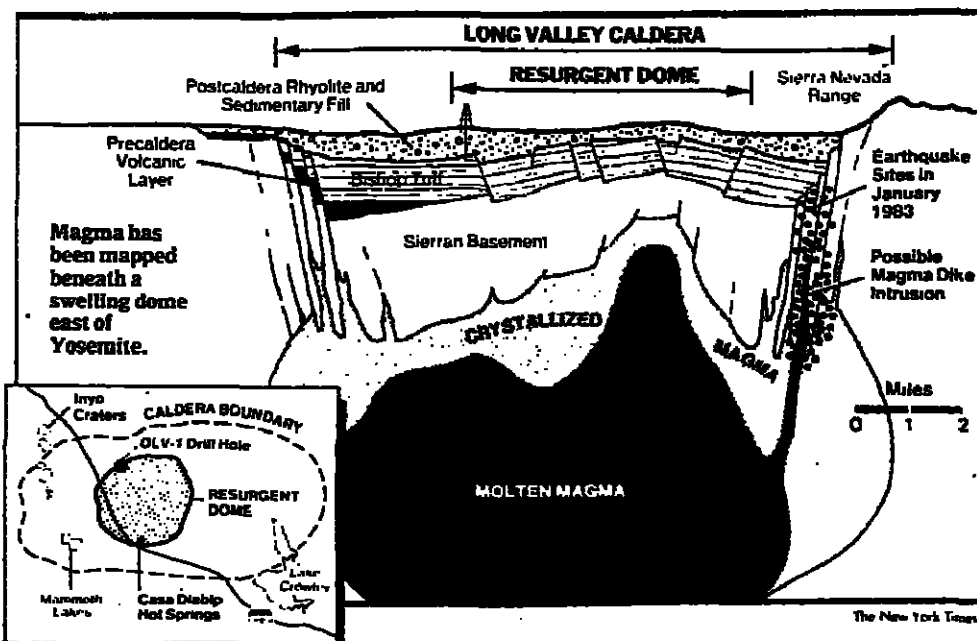
floor six miles in diameter has risen as much as three feet (0.9 meter). Measurements along the Interstate 395 highway across the shoulder of this resurgent dome have shown that since 1975 the road has risen 17 inches (43 centimeters). Because the swelling has slowed and the earthquakes have subsided, the eruption alert has been withdrawn.

One goal of the research, as stated by Dr. John B. Rundle of the Sandia National Laboratories in Albuquerque, New Mexico, is to find out "what is driving the system." The area has long been a focus of volcanic eruptions. Some north of the caldera occurred about three million years ago.

In an interview, Dr. Rundle noted that the caldera was where the southern part of the Sierra Nevada front was sharply offset to the east.

Along that front two distinct "provinces" of North American geology meet: the so-called Basin and Range Province to the east and the Sierras rising two miles high on the west. Unweathered rock along their base shows that they are still rising. The Long Valley eruptions and those that have occurred at Mono Lake, 18 miles to the north, seem related to the offset.

The caldera studies have used an exploratory well sunk by Santa Fe Geothermal Inc. 3,000 feet into the caldera floor as far as the Bishop



The New York Times

IN BRIEF

Huge Undersea Volcano Discovered

MENLO PARK, California (UPI)—A huge underwater volcano and other features have been discovered by scientists working on the largest project to date to map the ocean floor.

Analysis of computer-generated pictures produced by a sonar imaging system during a 100-day voyage last year yielded "stuff that's never been seen before," said Dave Cacchione, one of eight U.S. Geological Survey scientists to make the trip last summer aboard the British ship Farnella. "It's blowing everyone's mind."

The volcano 15,000 feet (4,550 meters) beneath the Pacific Ocean off the Northern California coast — its crater is six miles (10 kilometers) wide — showed signs of geologically recent activity, researchers said.

Fungus Studied as Chemical Eater

EAST LANSING, Michigan (AP)—Researchers working with white-rot fungus, which commonly decays dead trees, say the fungus also destroys dioxins, PCBs, DDT and other dangerous chemicals.

Steven D. Aust, the biochemist who heads the Michigan State University lab where the fungus was tested, said the theory that white-rot would break down toxic pollutants into harmless chemicals was formed about two and a half years ago when graduate students were studying the processes that enabled the fungus to break down lignin, a highly resistant natural substance in wood.

The fungus, *Phanerochaete chrysosporium*, broke down dioxins, DDT, benzopyrene and two kinds of polychlorinated biphenyls in experiments financed by the U.S. Environmental Protection Agency, Dr. Aust said. He said the results of the experiments would be published in *Science* magazine.

The fungus, which works very slowly, would not break down chemicals that have accumulated in humans or animals because it would be destroyed by antibodies, researchers said.

Natural-Core Theory for Pyramids

MOSCOW (UPI)—A Soviet researcher claims that the Great Pyramids of Egypt are based on remnants of a small mountain range, the weekly Moscow News has reported. "My hypothesis boils down to this: Each of the big pyramids has a core of natural rock inside it," the researcher, Anatoli Vasiliev, said.

Dr. Vasiliev, who has never visited Egypt, dismissed claims that 2.5 million workers used in the construction of the pyramids. "According to my calculations, big pyramids can exist only if they are built around a rock core," he said. "Without such a load-carrying structure, the pyramid would simply collapse."

Pesticides, Parkinson Disease Linked

MONTREAL (APF)—Parkinson's disease, which leads to body spasms and muscle stiffness, is partly caused by excessive use of pesticides, according to a top Canadian researcher.

André Barbeau, head of neurobiology at the Clinical Research Institute in Montreal, said he found more victims of Parkinson's disease in agricultural areas sprayed with exceptionally high levels of pesticides. He noted that aging and genetics were other factors that caused the disease.

Meteor Activity Tied to Halley's Comet

MOSCOW (Reuters)—Soviet scientists, still puzzled by a whistling, blazing fireball which swept over southern Siberia last year but appears to have left no trace, now theorize that increased meteorite and fireball activity are related to the approach of Halley's Comet, Tass reports.

The fireball appeared over the city of Tomsk in February 1984, a red flash so strong that it switched off automatic street lights. A scientific team searching the nearby Tunguska forest for debris or craters has failed to find anything.

Evidence suggests fireballs and meteorites may be linked to the coming passage of Halley's Comet, Tass said. In 1908, two years before the comet last passed Earth, meteorites and fireballs were seen in the same Siberian region as well as in Britain, European Russia and China, the agency said.

Red Wine Called Worst for Migraines

LONDON (NYT)—Researchers have identified chemicals in alcoholic beverages that may account for the migraine headaches that are touched off by alcohol in some people. The chemicals — especially plentiful in red wine, the worst offender for migraine sufferers — inhibit an enzyme that deactivates substances that produce headaches.

A research team at Queen Charlotte's Hospital said many red wines can cause a complete inhibition of the enzyme but white wines have less of an effect. Among spirits, vodka and gin had the least effect and were less inhibiting than white wine or brandy. No relationship was found between a beverage's alcohol content and the extent of enzyme inhibition.

Sea Animals Found at 4,000 Meters

ABOARD THE NADIR, off Shimizu, Japan (APF)—The deepest ocean colony of animals ever discovered, including crabs, snails and banana fish, has been found southwest of Tokyo at 13,200 feet (4,000 meters) by the French diving craft Nautilus.

The Nautilus is investigating the mechanism of Earth plate movements for a Franco-Japanese project dubbed Kaiko (undersea trench). Sea animal colonies are rarely found below 3,300 meters. The deepest found before now was near the Galapagos Islands, at 2,600 meters.

The man in charge of the venture, Xavier le Pichon, aboard the Nautilus's mother ship, the *Nadir*, said: "We were very much surprised to find it in our third dive." Not all the items discovered were rare; they included a plastic bag with a popular cartoon drawing on it.

Ancient Inca Grain Studied

HUATACHUAY, Bolivia—A high-protein grain cultivated for centuries by Inca tribes in the Andes could help solve hunger problems in the Third World, according to a U.S. group that is marketing it.

A recent study by Texas A&M University said quinoa (pronounced keen-wee) was "about 18 percent high-quality protein" and "superior in food value to most other grains in the world." Wheat contains 11 percent protein and corn 3.5 percent.

"Quinoa can be grown in places with extremely poor soil but where malnutrition is rampant. It resists the most severe climates," Stephen Gorad, president of Quinoa Corp. of Boulder, Colorado, said during a recent visit to Bolivia.

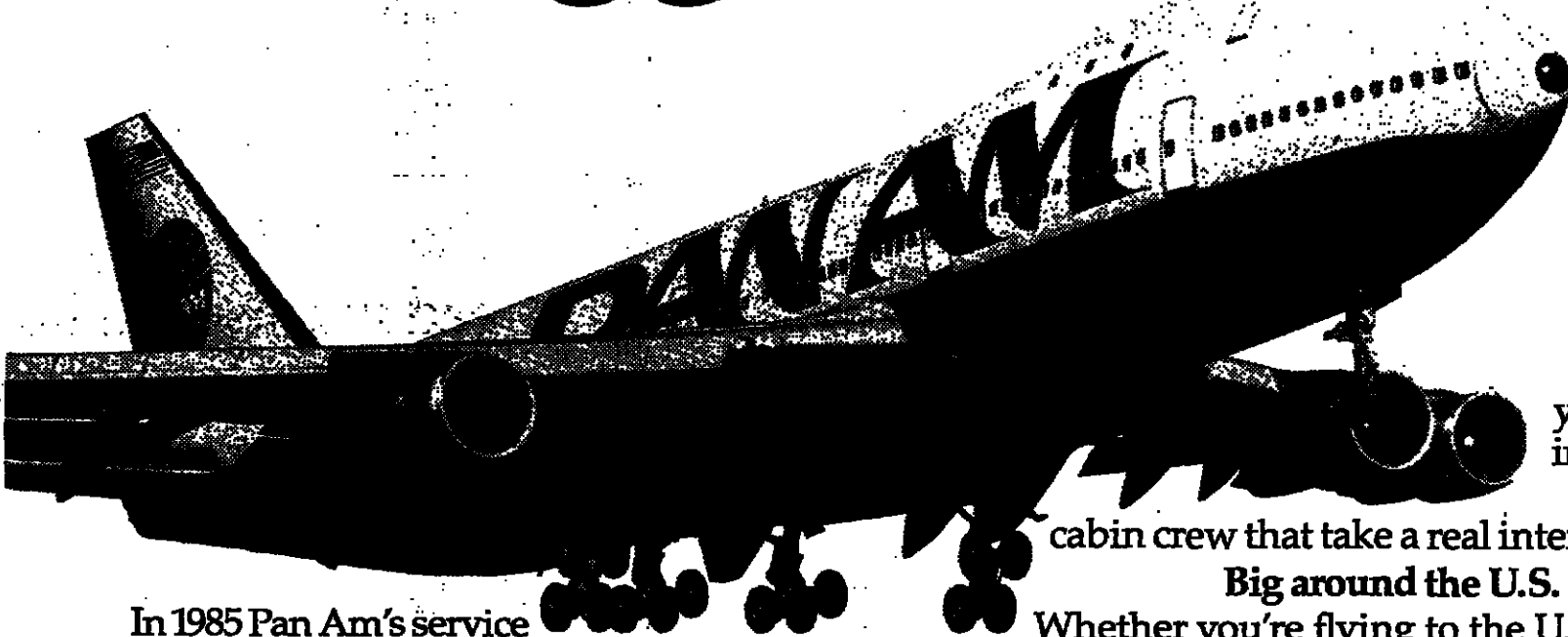
Quinoa Corp. and Sierra Blanca Associates, a nonprofit organization, said quinoa could become a cheap, easily grown substitute for wheat, which many poor countries are hard-pressed to import.

Quinoa Corp. said that quinoa has been grown experimentally in eight western U.S. states, that planting was being expanded in South America and that tests were under way in Europe, Japan and China.

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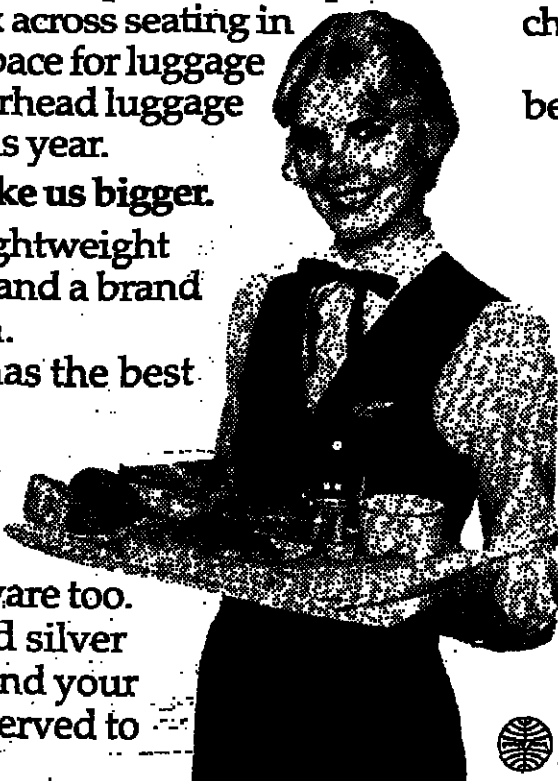
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From Pretoria, Contempt

The South African government intensifies its campaign of force and threat against its neighbors. Just in the last few days its armed forces, claiming to be attacking guerrilla bases, invaded the capital of neighboring Botswana and coldly killed some 14 persons, including three women and a 5-year-old child. Then Pretoria proceeded with its long-rumored plan to set up a puppet regime, its alternative to internationally acceptable independence, in its longtime colony of Namibia.

The attack on Botswana makes plain why the existence of apartheid in South Africa is itself a source of danger to the region. South Africa has made no showing that African National Congress guerrillas were operating out of Botswana. It simply stormed in, shoving about death, intending presumably to add one more mark of intimidation to all the others that have made life miserable for its neighbors over the years. The imperial arrogance of South Africa, its determination to flaunt its untested power, was on full view. But what it really demonstrates is the lack of self-confidence and the insecurity that lie far under the readiness to go to the gun.

South Africa has spent decades failing to deliver on its promise to grant independence to Namibia, also a neighbor. In the Carter period it went the puppet-regime route, which led nowhere, and now it is trying again. There is always a fancy excuse; this time it is that

Cuban troops remain in Angola, to Namibia's north. But what South Africa does not say is that Cuban troops remain there to protect the Angolan government precisely against South Africa. Last month its commandos were caught about to sabotage the American-owned oil facility that is Angola's most valuable economic asset. Meanwhile, Pretoria continues to sponsor the Angolan insurgency led by Jonas Savimbi. The same lack of self-confidence is evident: a fear of the fact and example of self-rule by blacks not beholden to South Africa.

The United States responded to the raid into Botswana by calling the ambassador home. It boycotted the installation of the new setup in Namibia, which it had already denounced as null and void. The question is not whether these protests are right and sufficient. The question is why South Africa proceeds with policies — its repression at home as well as acts outside its borders — that trash the expressed opinions and urgings of the government whose favor is most important to it. It proceeds with them, moreover, as the U.S. Congress contemplates sanctions.

The evident answer is that South Africa has taken the U.S. policy of "constructive engagement" as a big wig. The policy was supposed to earn President Reagan a South African hearing for his counsel to reform, but what it has brought seems much closer to contempt.

—THE WASHINGTON POST.

Austral Shock Treatment

To break disastrous inflation, President Raúl Alfonsín imposes a drastic remedy. He is running high risks and showing great courage. Whether he wins will depend on how Argentineans' people react in the coming months.

The inflation rate, currently running about 1,500 percent a year, is the most immediately dangerous of the burdens that Mr. Alfonsín inherited from the incompetent junta that preceded him. At first he thought that conventional restraint and appeals to the public would be enough to control it. But the inflation rate has lately been accelerating, and Mr. Alfonsín has come to see that a failure to master it would end in a collapse not only of the economy but of Argentina's newly established democratic government as well.

To bring down inflation by the usual method of keeping money tight — the method that the United States has used in the past six years — would require in Argentina a recession of intolerable length and severity. Mr. Alfonsín has chosen a more radical alternative.

The immediate cause of inflation is a huge budget deficit. It has been running at well over 10 percent of GNP. (By comparison, the federal budget deficit in the United States is around 5 percent of GNP.) Mr. Alfonsín has declared that the Argentine deficit will come down to 2.5 percent of GNP in the second half of this year. That would be a greater achievement

than balancing the U.S. budget by Christmas. Mr. Alfonsín has abolished the peso and introduced the austral. The name is a reference to the south, Argentina's place in the world — a nicely calculated appeal to national pride. He has pegged its exchange rate to the U.S. dollar and set the short-term interest rates for borrowers at 6 percent. (Recently they have been running as high as 40 percent a month.) That is shock treatment on the grand scale.

One precedent that comes to mind is the currency reform in western Germany after World War II. But that was imposed by the allied military occupation, not, as in Argentina, by an elected government. Shock treatment seems to work only when a country is seized by a real sense of crisis. Circumstances in Argentina are not those of 1948 in Germany, defeated and suffering widespread destitution.

Some people in Argentina will probably fight the new program on grounds that it is unfamiliar and they fear losing money under it. They will be supported and abetted by others with very different reasons of their own. But inflation is a cancer that has to be destroyed. But inflation is debilitating the country, not only its material standard of living, shock treatment can succeed if Mr. Alfonsín succeeds in convincing a majority of Argentina's people that there is more at stake than money.

—THE WASHINGTON POST.

College Sport in Trouble

After so many scandals in American college sports, you would think that a convention of the National Collegiate Athletic Association would be riveted on reform. But the agenda for a New Orleans meeting this week looks more like an exercise in damage control.

More than sports is at stake. In the last six months, Clemson has lost a president who could not bring the trustees and the athletic director to clean up the sports program; Tulane's basketball program was destroyed by a gambling scheme that may have involved drug dealing; Memphis State has been accused of failing to graduate a single black basketball player in more than 12 years. (It reportedly graduated only four whites in that time.)

Faced with pervasive corruption, the NCAA proposes a few adjustments. It would require annual audits of athletic budgets. It would reclassify rules violations as major and minor, depending not on ethical values but on the

"competitive advantage" gained. It would require schools that hire a coach with violations elsewhere to justify his employment.

These measures betray no awareness that corruption in athletics compromises the integrity of an entire academic institution. What is more, they fail to address any number of issues crying out for attention. Why, for example, should not freshmen be barred from varsity competition so that they can first adjust to college studies? Why should there be no firm limit on the length of basketball seasons?

The one encouraging note is that the 44 school presidents who convened this meeting are no longer willing to leave athletic decisions to coaches and athletic directors. They would be well advised to stand closely together. As the president of Clemson can attest, challenging the patrons and managers of big-time college athletics can be a risky business.

—THE NEW YORK TIMES.

Other Opinion

Ignoring Terrorists Backfires

Greece, in the person of her foreign minister, Yiannis Haralambopoulos, has blamed the United States for a "defamatory campaign" against her over her role in the TWA hijack drama. To accuse the Greeks of actively aiding or abetting terrorism would certainly be wrong. But it does seem to be true that Greece, like France and some other countries in the past, has preferred to take a passive line toward terrorism, hoping that this and its rela-

tively pro-Arab stand on political issues would prevent it from becoming a target. But Greece is now finding, as France found before her, that immunity cannot be bought this way.

We must hope that behind Mr. Haralambopoulos' bluster some urgent rethinking of Greek policy is going on, and that the government will not wait for the International Federation of Airline Pilots' Associations to decree a boycott of Athens airport before it takes serious measures to improve security.

—The Times (London).

FROM OUR JUNE 20 PAGES, 75 AND 50 YEARS AGO

1910: Cuba and Spain Discuss Trade
MADRID — Don José Zulueta, member of the Cortes, will interpellate the Government at the Cortes on the matter of the commercial treaty with Cuba. This step is taken by pressure from the Catalonian merchants interested in the prompt end of the negotiations. These are being carried on in Havana by request of the Cuban Government, which has expressed a desire to favor Spanish demands when they do not endanger Cuban and American interests. Don Rosendo Fernández, who represents the Havana Chamber of Commerce in Spain, and also the cigar manufacturers, has presented to the Cuban and the Spanish Governments a report pointing out the concessions which can be mutually made without giving the least ground to protest to American commerce.

1935: Senate Passes Social Security
WASHINGTON — The Administration's social security bill, embodying provisions for old-age pensions, unemployment insurance and other features, was swept to passage by the Senate [on June 19] by a vote of 76 to 6. The bill has been returned to the House, which passed it two months ago by a vote of 372 to 33, for approval of the Senate's amendments. The measure is regarded as the most important piece of legislation in the New Deal program not yet to be enacted. The bill constitutes one of President Franklin D. Roosevelt's first attempts to solve the machine-age problem by long-term planning. The features of the bill are fundamentally reform instead of recovery measures, designed to relieve as well as help prevent cyclical depressions.



Mozambique: Whose Interests Do Saboteurs Serve?

By Robert Jaster

ROCKPORT, Maine — In Mozambique a nasty little war is sputtering into its fifth year. Now, thanks to clandestine intervention from outside, it threatens to become bloody and prolonged, and to undermine the prospects for regional détente in southern Africa.

Last year, when Marxist Mozambique and apartheid South Africa signed a nonaggression pact — the Nkomati accord — it was hailed as opening a new era in relations be-

no political base or deep roots among the Mozambican people, nor a coherent political program.

It was set up in 1976 by the Rhodesian intelligence service from a group of Mozambican refugees, mostly exiles of the Portuguese colonial forces. The Rhodesians armed them and sent them back into Mozambique to harass Robert Mugabe's guerrillas, who were attacking Rho-

did so, President Samora Machel would almost certainly be forced to call on the Soviet Union for more counterinsurgency arms and military advisers, thereby further dimming the prospects for regional détente. This scenario would be good news for the Russians but not for the West.

Is it in the West's interests, then, to join South Africa in supporting the Machel government? President Ma-

ministers and promoted his chief negotiator at Nkomati. The Russian boycott of the 1984 Olympics did not prevent Mozambican athletes from competing in Los Angeles. Finally, Mr. Machel has sought Western military instructors for his armed forces.

Western leaders should make clear, through public statements and offers of assistance, that they support the present government and oppose efforts to destabilize it. A strong demarche should be made to governments thought to be bankrolling Renamo or encouraging others to do so. A demarche to Pretoria might bolster its commitment to Nkomati, and weaken any vestigial support for Renamo among the bureaucracy.

Beyond that, the West should tender its good offices to enhance President Machel's offer of amnesty for Renamo guerrillas, and to make that offer a more attractive option than continuing the fighting.

The writer is a 1985-86 research associate with the International Institute for Strategic Studies in London and has a book on Namibia scheduled for publication next month by Harvard University's Center for International Affairs. He contributed this comment to the International Herald Tribune.

After losing its South African sponsors, Renamo recently picked up a shadowy group of clandestine backers elsewhere.

tween South Africa and its neighbors, and as a model for the region. Under its terms Mozambique expelled the African National Congress, which had been using Mozambique as a staging area for guerrilla attacks against South Africa. In return, Pretoria expelled the Mozambican National Resistance (Renamo), whose guerrillas had been trained, armed, financed, and directed by South Africa to conduct raids inside Mozambique. Shortly after the accord was signed, South Africa — apparently as a sop to its military, which had run the Renamo operation — rushed 1,500 armed guerrillas and large quantities of equipment into Mozambique. Since then, however, both states have honored the accord.

But Renamo, after losing its South African sponsors, recently picked up a shadowy group of clandestine backers elsewhere. Among the allegedly bankrolling its current activities are two foundations in West Germany, two Portuguese businessmen who had extensive holdings in pre-independence Mozambique and an Arab potentate who apparently hopes to see an Islamic republic established in northern Mozambique.

Flush with this growing support, and with its final "golden handshake" from South Africa, Renamo recently intensified operations. From its previous hit-and-run raids against remote farms and outposts, it has moved to large-scale sabotage and armed attacks in every province, frequently cutting off the capital itself.

Should Renamo's growing success be seen as favorable to Western interests? The overthrow of Mozambique's Marxist government would be a clear setback for its patron and chief arms supplier, the Soviet Union. Its replacement by a non-Marxist government would seem to be pure gain for the West.

To accept this argument, however, is to ignore the reality and dynamics of regional politics.

Renamo is not a legitimate national movement. Unlike the UNITA insurgency in Angola, which draws its strength from the numerically dominant Ovimbundu people and which earned its nationalist credentials fighting the Portuguese, Renamo has

desia from Mozambican bases. When Zimbabwe became independent in 1980, Renamo fled to South Africa, whose Military Intelligence Section became its new boss until the Nkomati accord was signed.

Operations by Renamo's largely mercenary force would fade, perhaps rapidly, were its financial support cut off. But what if it continues? The fighting will escalate, undermining the Nkomati pact and spilling into neighboring states.

So far Renamo has not seriously threatened the regime's survival. If it

chel's policy changes in the last few years suggest that it is.

Disillusioned with its ties to the Communist states, Mozambique has been moving toward the West: joining the IMF and the World Bank, breaking up the East Bloc-managed state farms and parceling them out to small farmers, encouraging Western investors and linking the economy more closely to South Africa.

Politically, too, Mr. Machel has shown growing independence from the Soviet Union. He recently demoted three hard-line Marxist cabinet

With the end of the Portuguese empire in 1975, Soviet-backed liberation movements took power in Angola and Mozambique. The new regime in Mozambique, its own problems unsolved, supported guerrillas operating against the Ian Smith regime in Rhodesia and against South Africa. Rhodesia retaliated by helping to set up an insurgency — the Mozambican National Resistance, known by its Portuguese acronym as Renamo.

Thus began a cycle of cross-border violence that continued even after the establishment of a black-led regime in Zimbabwe, the former Rhodesia. For Pretoria then offered bases and support to Renamo within South Africa's borders. Increasingly frustrated by African National Congress operations launched from Mozambique,

By Melvin R. Laird

South Africa began to mount land and air operations in Mozambique. By 1982 a combination of drought, guerrilla destruction, South African raids, the loss of Western and South African economic investment and technical expertise and the failure of the Russians to make up that loss had reduced Mozambique's economy to a shambles. Mr. Machel made a basic decision that his country could no longer bear the brunt of a military confrontation with South Africa.

President Reagan saw that as long as the level of cross-border violence remained high, Moscow would have opportunities to expand its influence, but that a decision in the region to seek a diplomatic solution and concentrate on economic development would serve the U.S. interest. Only the United States had the relations with all parties that would allow it to mediate. And only it and its Western allies had the private sector, technical expertise and development aid to offer countries such as Mozambique the hope of building their economies.

Washington helped bring South Africa and Mozambique together to discuss their problems. In March 1984 they signed the Nkomati accord. Mozambique, against the wishes of the Russians and most other African states, carried through on its commitment to close ANC bases.

Japanese Courtesy Is Good Business

By John A. Cicco Jr. and Richard D. Snyder Jr.

NEW YORK — Western corporations often admire Japanese business techniques, but it is interesting that what may well be the most subtle but most powerful weapon in Japan's management arsenal has gone largely unnoticed.

It is so basic and simple that it cannot be copyrighted or patented; and so uncomplicated that consultants can't make money teaching it. Yet it seduces foreign businessmen and trade negotiators.

This beautifully plain but critically important secret is nothing more than simple courtesy.

Not the plastic politeness that retailers too often show to customers in America. Not the pandering attitude that service types too often show to clients. And certainly not the perfunctory "have a nice day" that telephone operators squeeze into rushed responses to callers.

In Japan, lack of courtesy is the one unforgivable sin — it can cause almost immediate banishment from the Garden of Lifetime Employment. Deeply ingrained courtesy is not limited to sales clerks, waitresses and taxi drivers. Even the most senior executive, phoning an associate, will patiently spend several minutes asking how he is, how the family is or how his back feels, before dealing with whatever business may have prompted the call — regardless of its seeming urgency.

As the Japanese explain it, whatever the problem may be, it is the relationship with the other person that will be the basis of its solution.

So the relationship, not the problem, deserves primary attention.

By contrast, perhaps the greatest weakness in Western organizations' structure and in their dealings with customers and constituencies is a lack of simple courtesy. We have all dealt with companies and bureaucracies that, after going to great efforts to get us to use their products or services, give us an obnoxious sales clerk, waitress or someone else who leaves us feeling that we have intruded on their day. This discourtesy not only threatens the intended transaction so carefully encouraged by marketing and public affairs personnel, it also discourages future transactions.

The problem runs far deeper than the obvious "good people to deal with" public. It rests basically with an aloof managerial class that avoids personal contact except under the most controlled conditions. This is a class well schooled in good manners but woefully illiterate in basic civility.

Inazo Nitobe observes in "Bushido: The Soul of Japan": "Politeness is a poor virtue if it is actuated only by a fear of offending good taste, whereas it should be the outward manifestation of a sympathetic regard for the feelings of others."

Managerial training can fail miserably to instill the necessary "sympathetic regard for the feelings of others." Just as in the court of Louis XIV, while there is constant dwelling on proper etiquette and manners, lack of courtesy spawns

corrosive resentment and hostility. So institutions install elaborate communications systems to improve personal contact, only to have them stopped up by executives who have learned never to return calls too quickly. They develop expensive advertising programs only to have them break down because an impatient 34-hour sales clerk is rude. They schedule tedious behavior-modification seminars that teach clever manipulation rather than the value of simple respect.

In America, lack of courtesy does not arise from some natural flaw in the national personality. Americans are normally friendly people. The problem seems to derive from the large size of institutions and the prescribed, technocratic management persona of busy importance that requires aloof inaccessibility.

There is hope, however. Not too long ago there was a brief flash of healthy courtesy among even the most pompous of organizations. As firms floundered during the last recession, organizational pretense broke down and basic camaraderie emerged. But as crises pass and old habits slowly return, an important economics lesson may be too quickly forgotten: Discourtesy is not only not very nice, it is an intolerably inefficient luxury that no business nor society can long afford.

Mr. Cicco is president of a management consulting firm and Mr. Snyder is an associate. They contributed this comment to The New York Times.

A New Era For Politics In America

By David S. Broder

WASHINGTON — Until something better comes along, I am prepared to nominate "The New Direction of American Politics," a volume soon to be published by The Brookings Institution in Washington, as the most convincing interpretation yet presented of the Ronald Reagan era in American government.

The 400-page study by 15 scholars, edited by John E. Chubb and Paul E. Peterson, makes a persuasive case that what we are witnessing is historic — one of those big swings or "realignments" that serve as landmarks in America's development.

The editors and the two authors of the chapter on political parties, Thomas E. Cavanagh and James L. Sundquist, are careful to say they are not predicting long-term Republican dominance of national government.

They do say that the Republicans have advantages that reach well beyond the personal appeal of Ronald Reagan: the tilt of the electoral college to the West and the South, the superiority of their national fundraising and political organizations, and the growing tendency of swing voters — especially younger ones — to think of themselves as Republicans.

But the authors readily concede that in certain circumstances, and with the right candidates, Democrats may be able to win national elections. The book lifts the argument about the significance of "the Reagan revolution" out of the swamp of speculation about the 1986 and 1988 elections and deals with the phenomenon that has already occurred. It is particularly helpful in clearing up the puzzlement that many of us who cover politics have felt about the seeming immutability of the Democratic majorities in the House of Representatives and state and local government.

The sensible suggestion is to think of an ocean wave breaking on a sea wall. The wave is the tide of voter sentiment that throws one party out of office and installs the other. The leader of the incoming party (Mr. Reagan, in this case) has the responsibility to devise policies that meet the public demand. If he does, as Mr. Reagan did in his first term, the first wave may be followed by another, even more powerful. The 1984 election was that second wave.

But even after that second wave, the Democrats are more strongly entrenched in the House and in state and local government than when Mr. Reagan was first elected. How can this be a political realignment?

The book's answer is to think of the sea wall as the institutional framework against which the big waves are pounding. The stronger the wall, the longer it takes to break through.

Two points help clarify the picture. The first is historical. The older the nation, the stronger its institutional structure. The shift of power from the Federalists to Jefferson's Democratic-Republicans was so traumatic that the air was filled with charges of treason, and institutions almost cracked. A bit later, the rise of the Republicans helped bring on the Civil War, and the Union dissolved.

The second point is structural. The presidency and to a lesser extent the Senate become the immediate focus of change because they are seen as the most powerful parts of the government. Contests for their control are so competitive that shifts in popular sentiment register quickly and strongly. By contrast, members of the House have built up individual defenses against political risks, using their influence over districting decisions, service functions and access to communications and campaign finances to insulate themselves.

There are two implications in this analysis, both of them encouraging to Republicans. One is that if you accept the wave and sea wall analogy, then you have to think that as long as the Republicans provide policy changes that meet the public mood (tax reduction and simplification, for example), they will continue to make inroads against the institutionalized Democrats. (Be ready for Republican gains in governorships in 1986, I say.)

Second, once the sea has broken through, do not expect to see the same shoreline again soon. As Mr. Chubb and Mr. Peterson say, "The terms of political debate and the course of public policy have been fundamentally transformed.... An economic downturn or a foreign policy reverse may rejuvenate the Democrats, but the policies they once opposed will not be as resistant. Big deficits, strong defense programs and doubts about the welfare state will shape the political and policy future — whatever the fate of parties or presidents in particular elections."

The Washington Post.

LETTERS TO THE EDITOR

An Idea for Our Time

"An invasion of armies can be resisted, but not an idea whose time has come," Victor Hugo wrote in 1852. That is a good comment on Armand Hammer's opinion column, "A Reagan-Gorbachev Initiative" (June 17).



Maybe the time has indeed come. Maybe a cooperative spirit is not such a farfetched idea after all. Congratulations for spreading the rumor, anyway. Valentin Anesia's drawing

of a sad world coming away its lethal dandruff was not bad either.

DESMOND AVERY.
La Couvergne, France.

Athens Airport Faulted

Again a plane from Athens has been hijacked. Greek authorities have the duty to prevent passengers from boarding planes with weapons. I for one will not board any plane picking up passengers in Greece.

HENRY JULIUS.
Geneva.

Chateauroux Defended

Regarding "Dining in Chateauroux: Lost in the Salt" (June 14):

Jean Barde's cuisine is worth the trip. A recent dinner was as near to perfection as one can attain. The seasoning was excellent, and Mr. Barde kept a light touch with the salt. Critic Patricia Wells must have visited the restaurant on a bad day.

SUZY PATTERSON.
Paris.

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SPAIN

A SPECIAL REPORT

THURSDAY, JUNE 20, 1985

Page 7

Booming Tourism: Its Image Changes

MADRID — The Spanish tourism boom that amazed the world by drawing as many as 22 million visitors a year to Spain in the 1960s is still booming.

Spain greeted 40 million foreigners last year, one for every Spaniard, and they brought \$7.2 billion with them.

"We calculate that we got nine percent of all tourists traveling internationally," said Ignacio Vassallo, director of promotion for the Spanish Tourism Secretariat.

That percentage is expected to translate this year into \$8 billion for Spain. After a few years of slow growth due to the international oil crisis, construction in the tourist sector is moving ahead, too, with the accent on quality.

"We want all new construction to be of top category," Mr. Vassallo said. "We want to build only hotels that are five-star, the highest official rating given to hotels in Spain."

Not by coincidence does the World Tourism Organization, a United Nations agency that promotes tourism by providing technical assistance to developing countries, have its headquarters in Madrid. Spain, recognized as an authority in matters pertaining to tourism, has its own Official Tourism School whose students currently include 64 foreigners on scholarships funded by the Spanish government.

Spain has been exporting its tourism know-how for years and this now involves the techniques of 1980s-style big business.

To tell the world about timeless Mediterranean beaches, castles built by Crusaders and high Pyrenees mountain passes, Spanish tourism officials have quietly slipped into a new world of computer-generated marketing studies and highly sophisticated advertising campaigns.

"We have changed a lot since 1983, when we drew up a world marketing plan and realized that what we needed first was a corporate logo," Mr. Vassallo said. "We asked Joan Miró to create one for us and he did, giving it to us shortly before his death in December 1983 at the age of 90."

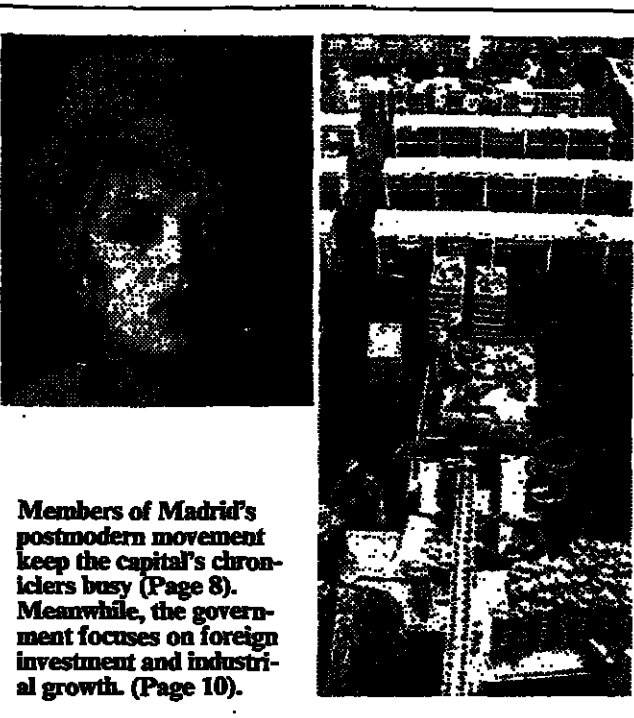
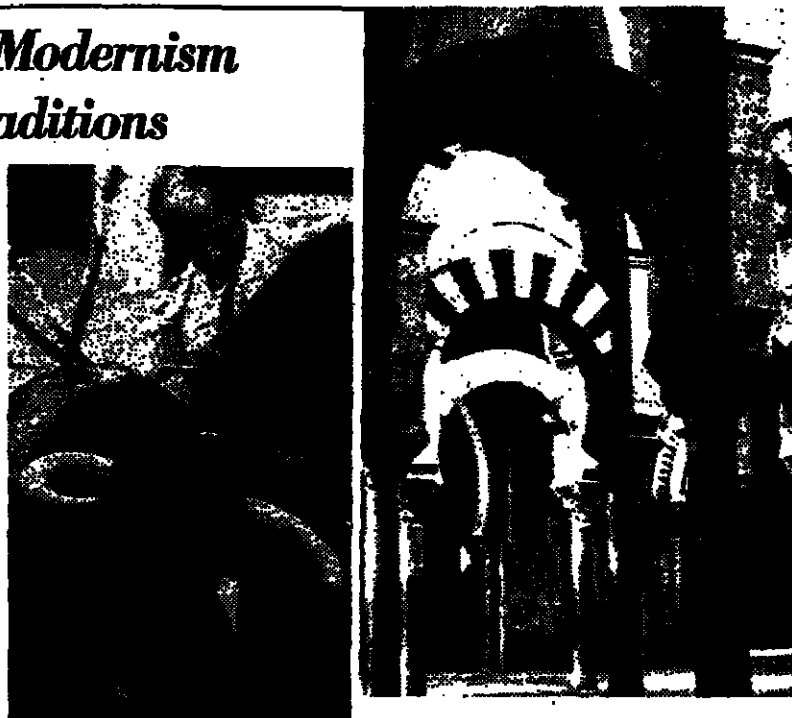
The Miró logo is colorful and exuberant, depicting a stylized sun in red and yellow, the colors of the Spanish flag, accented by black, set off by a starlike shape that looks like a bouncy asterisk, above somewhat antic letters that spell out "ESPANA." It now appears on Spain's tourism brochures and posters.

Detailed marketing plans are drawn up yearly for each of the 11 nations that, since the first mass tourism of the 1960s, have accounted for almost 95 percent of Spain's foreign visitors. These are the United States, Britain, West Germany, France, Belgium, Italy, the Netherlands, Sweden, Finland, Norway and Denmark.

Tourism from the United States has grown from 700,000 in 1982 to almost 950,000 in 1984 and is expected to rise further.

Fusing Modernism And Traditions

Bullfighting and the tradition that surrounds it is back in style, and the arenas are full (Page 11). Córdoba and its Mosque provide a window on early Spain (Page 8).



Members of Madrid's postmodern movement keep the capital's chroniclers busy (Page 8). Meanwhile, the government focuses on foreign investment and industrial growth. (Page 10).

Water and the 'Myth' of Agricultural Potential

By Barbara Bell

ALMERIA — Mamel Escánez, a farmer like his father before him in this dry region of southeastern Spain, sliced open his first melon of the season as he stood in a plastic-covered greenhouse and spoke of his feelings about joining the European Community.

"I think that this will be a good thing," he said hesitantly. "I don't understand much about politics but I see on television that they are putting a lot of problems in our way."

"And I understand that with the limitations they are setting for us, our situation will be almost worse at the beginning than it is now."

"They," of course, refers to negotiators from the EC who, with Spanish representatives, have drawn up the long and complicated clauses of the treaty governing Spain's entry into the community, which is to take place after a target date of Jan. 1, 1986.

Fears that Spanish fruit and vegetables would flood the markets of other EC members, ruining their own agricultural sectors, led to tense negotiations that resulted in quotas and other restrictions covering a 10-year transition period.

Spanish agricultural experts say that during the first four years of Spain's membership the restrictions will leave many Spanish farmers worse off than they are now in European competition with non-EC nations like Israel, Tunisia and Morocco.

Officials as well as farmers say that European fears of the "the myth of unlimited Spanish potential" in agriculture are groundless. Spain's agricultural sector last year accounted for 3 billion pesetas, 7 percent of the gross national product.

There were 1.76 million people employed in agriculture, almost 13 percent of the Spanish labor force of 13.25 million.

"We have a very diversified type of agriculture, but also one fundamental problem: We lack water," said Pablo Conejo of the Agriculture Ministry.

"That plus land limitations severely restricts our agriculture, which we have been telling the other countries of the EC for years, ever since Spain applied for membership in 1977 and all through the negotiations that began officially in 1979."

Mr. Escánez's roughly built greenhouse near Almería, the easternmost town of any consequence in Andalusia, has been a focus of EC fears, his and thousands of others like it.

For Almería, one of the driest but also sunniest places in Spain, is the site of a phenomenon some refer to as the "Spanish agricultural miracle."

Less than 20 years ago, the first experimental plot "under plastic," as the method is often described, was planted here by Mr. Escánez's uncle with the help of the Institute for Agrarian Reform and Development, linked to the Agriculture Ministry.

To the experimenters' delight, vegetables grown in the *invernadero*, or hothouse, were ready for market a full month earlier than the same crops grown outdoors, and suddenly everyone wanted a taste of the success.

In 1968, there were only 30 hectares (74 acres) cultivated under plastic in Almería province. That had jumped to 1,114 hectares by 1971 and to 7,150 hectares in 1980.

Now, there are 10,000 hectares covered by *invernaderos* and the daily flight from Madrid to Almería arrives over a sea of plastic reflecting the sunset more brightly than the real sea nearby.

Virtually all of the fruit and vegetables grown here, which include peppers, cucumbers, green beans, melons and smaller amounts of avocados, garlic and strawberries, are shipped to market fresh. Some 20 percent to 25 percent of that goes to foreign countries, usually by refrigerated trucks, which can speed a melon picked in Mr. Escánez's hothouse tonight to a table in France tomorrow.

Tomatoes are the principal crop, with an average annual production for the province of 340,000 tons, but at this time of year the last vines, trained up to a plastic cord strung two meters high, are being torn out in another of Mr. Escánez's hothouses.

"We planted tomatoes here late last August and began picking them for market October 25," he said.

That advance over the growing season for most European farmers sounds almost too good to be true (Continued on Page 9)

González Cultivates His Garden With Sure Political Hand

By Tom Burns

MADRID — A previous resident of the Moncloa Palace, the official home of the Spanish prime minister, had a swimming pool installed in the gardens. Felipe González has, characteristically, done something quite different. He has had part of the grass lawn on the deep-end side of the pool dug up and a cabbage plot laid down. A private lunch with the prime minister includes a tour of his vegetable garden.

Mr. González takes pride in pointing out how well his cabbages and his onions are doing and he explains at length his experimental cultivation of strawberries on sand soil and under plastic using drip-watering techniques. He says he spends as much time as he can in his garden.

The visitor may be impressed by the prime minister's agricultural skills but the lasting impression is of a different kind. Consciously or not, Mr. González gives out a message with his cabbage-plot tours: He has set down firm roots in the Moncloa Palace and he looks set to stay there.

As Mr. González, 44, enters the final stretch of his four-year mandate, few in Spain would quarrel with such an impression. The prime minister has survived midterm voter disenchantment and both his government and the Socialist Party that he leads have remained united despite broken electoral pledges and a single-minded pursuit of economic austerity policies.

Opinion polls over the past year have consistently given Mr. González an approval rating of more than 40 percent. The Socialist Party has at all times maintained an advantage of at least 10 points in opinion surveys over the conservative opposition, the Alianza Popular. Less than 20 percent of people polled

say they would prefer Manuel Fraga Iribarne, the Alianza Popular chairman, as prime minister. In fact, the most popular politician after Mr. González is not Mr. Fraga, but Mr. González's closest political associate, Deputy Prime Minister Alfonso Guerra.

Mr. González has indicated that he will hold elections in June next year, four months short of the expiration of his term in October 1986, and the likelihood is that the Socialist Party will regain an outright majority and that Mr. González will have a new four-year term. The honeymoon period of the Spanish people with *felipismo*, as González-style government has come to be called, is far from over.

The evidence of continued support for Mr. González appears objectively to be at odds with the continual rise in unemployment and the cuts in real income over the past three years that have resulted from the Socialist government's strict adherence to budget-deficit control. Key promises in the 1982 Socialist election manifesto concerned job creation and the maintenance of purchasing power. Yet a recent poll of jobless Spaniards discovered that the overwhelming majority supported Mr. González and endorsed his economic policies.

Mr. González may have failed to "put Spain back to work," as he promised in his campaign tour in 1982 — there are fewer Spaniards at work now and many more unemployed than when he came to power — but the prime minister has played two trump cards that give him a strong hand: His mandate has provided Spain with a firm and united government and, during his term of office, Spain has entered Europe.

Stability constitutes a very high political capital in Spain. The undoing of the Union of the Demo-

(Continued on Page 10)



Tending crops in Almería's hothouse farms.

Why the Spanish Have Trouble With the French

MADRID — Ask a Spaniard about his country's relations with France and he is likely to burst out laughing, because historically, those relations have been so bad from the Spanish point of view that his choice is to laugh about them or cry.

When he visits the Prado Museum, he sees Spanish patriots rising up in 1808 against Napoleonic invaders and later falling before their guns in Goya's paintings of the "Dos de Mayo" and "Tres de Mayo." In the years following the death of Franco and the installation of a democracy in Spain in 1975, he read of Basque terrorists operating on Spanish soil from bases in France, apparently unhindered by French authorities.

Later came the "fishing wars" between Spanish and French vessels and, mainly in 1982 and 1983, attacks by French farmers on trucks and train cars carrying Spanish fruit and vegetables across southern France. Vehicles were burned and hundreds of tons of produce destroyed.

Most recently, the average Spaniard has been irritated by what was perceived as French efforts to block Spain's entry into the European Community. Negotiations culminated at the end of March, after a series of late-night sessions, in agreement between Spain and Portugal and members of the EC. Even Spaniards with respect and affection for France describe France's posture in the talks as "frankly obstructionistic."

Small wonder, then, that in a public opinion poll published last month by the Spanish newsweekly "Cambio 16," 40 percent of the more than 1,200 Spaniards questioned named France as the Common Market country they disliked most. Far behind in second place as most disliked came Britain, with 15 percent. As their most-liked EC country, 24 percent

chose West Germany, the leader, but only 6 percent named France.

While expressing amusement over the survey, several people in Madrid commented that in addition to concern about truck burnings and EC negotiations, the results probably reflected some degree of hostility common to all countries that share borders. "Problems between neighbors are always experienced with special intensity," one person said.

40 percent of the more than 1,200 Spaniards questioned named France as the Common Market country they disliked most.

son said. "There is a certain resentment, too, and perhaps a bit of inferiority complex whenever someone feels that his neighbor is richer than he is."

Santiago Salas, a Spanish Foreign Ministry official, said, "Actually, from a political point of view, relations between Spain and France have entered a very positive phase and the rapprochement between them in the past two-and-a-half years has been spectacular."

One of the first foreign policy decisions made by the Socialist government of Prime Minister Felipe González on its formation in December 1982 was to launch a concerted effort, an "offensive," one source said here, to improve Spain's relations with France. Foreign Minister Fernando Morán flew to Paris that month for a meeting with French offi-

cials at which it was agreed to deal with specific irritants between the two countries within the context of shared concerns and mutual interests.

Most political observers in Madrid feel that the "brotherhood in socialism" of Mr. González and President François Mitterrand has facilitated bilateral understanding on both personal and governmental levels. In any case, France finally supported Spain's bid to enter the EC, clashes between fishermen and farmers of the two nations have become rare and meetings between Spanish and French foreign ministers, with participation by other officials, are held twice a year, the last one in Barcelona in October.

Mr. González has visited Paris several times and King Juan Carlos and Queen Sofía are expected there on an official visit July 8-10.

"The single event that most symbolized a radical change by France in its attitude toward Spain," Mr. Salas said, "was its extradition of three members of the Basque separatist group ETA in September 1984. During the time of Franco, the justification for sheltering such terrorists was that they were fighting for freedom against a dictatorship, but with the formation of a democracy in Spain, that was no longer valid. France now cooperates greatly with the Spanish government on this problem."

At the moment, the rivalry between the two countries centers on the 1992 Summer Olympic Games, for which Barcelona and Paris are candidates along with Amsterdam and Brisbane. France and Spain are also competing to have the first European Disneyland, with the French backing a site east of Paris at Marne-la-Vallée, and the Spanish proposing space on the Mediterranean coast near Alicante or Barcelona.

— BARBARA BELL

SPAIN, AN ENTIRE COUNTRY BEHIND THE TELEPHONE

In Spain, TELEFONICA has for sixty years been making the telephone something more than just a communication instrument. Recently TELEFONICA and its group of companies have made an enormous effort in research and technological developments. This has paid handsome dividends. Today every business sector in Spain benefits from TELEFONICA's advances in telecommunications.

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A SPECIAL REPORT ON SPAIN

Córdoba: Philosophy in Pillars, Flowers

CÓRDOBA — The Mosque, with its forest of pillars spanned by arches of red brick and white masonry, just celebrated its 1,200th birthday. The fountains still play in the gardens of the fortress where King Ferdinand and Queen Isabella met with Columbus before he set out for the New World, but the biggest wonder here is the city itself.

Córdoba, founded as a Roman colony in 169 B.C. and the birthplace of the Roman philosopher Seneca, was conquered by Moorish troops in 711 and made an independent emirate in 746. It was as an Arab capital that it flourished, becoming in the 10th century a center of learning, excelling in science, mathematics, philosophy and poetry.

It has been written that it then contained "1,600 mosques, 900 public baths... 213,077 homes for the general populace, 60,300 mansions for nobles and 80,455 shops."

Córdoba today is quintessential-

Andalusian, a city of 285,000 with its massive Roman bridge astride the Guadalquivir River, its huge Mosque, the rough walls pierced by Arab gates and a fanciful bell tower dominating the sprawling and well-preserved old quarter, with its cobbled streets and flower-filled patios. But for all its flair, the people of this city add a character that they say is more serious than that of Cádiz and Seville.

"Here one's sentiments are carried more on the inside," a woman said. "I believe that we are the most introverted and least exaggerated of Andalusians."

Since the times of Seneca and the Jewish philosopher Maimonides, the 850th anniversary of whose birth in 1135 has just been commemorated here, the *córdobés* has been considered a bit of a philosopher himself.

He loves bullfights, flamenco, dresses up for long strolls, *paseos*, with his even more elegantly dressed wife and children most Saturday evenings and Sunday after-

noons, extols the virtues of Montilla and Moriles, the sherrylike white wines from the neighboring villages of the same names. He enjoys nothing more than a picnic with his family among wildflowers near the remains of the 10th-century Arab palace of Medina Azahara, a few kilometers north of Córdoba in the foothills of the Sierra Morena.

There is a balanced, thought-provoking beauty in Córdoba besides the simple loveliness of flower-bedecked white houses, dazzling in sunshine under a blue sky, accented by wrought-iron grills and, here and there, trees full of oranges.

According to an Arab architectural expert, Hasan Fathy, the many traditional houses of old Córdoba, usually built in two stories around patios ornamented by colorful tiles, small fountains, ceramic dishes, flowers and green plants, all open to the sky, contribute to a sense of spiritual well-being.

The courtyard, he says, induces a "feeling of calm and security that

no other architectural feature can, while the sky is pulled down into intimate contact with the house so that the spirituality of the home is constantly replenished from heaven."

Even glimpses of the cool patios from the outside refresh the passerby (important in a city that can be hot from April to October), but if an owner is about, perhaps outside mopping the front step and then the street in front of it, as people here tend to do, winning Córdoba fame for cleanliness, one is likely to be invited with a gracious "Pase usted" to admire a patio from inside.

During the Patio Festival, which is held the first two weeks in May, one of the big events in Córdoba along with the May and October fairs, residents compete to have their patios judged most beautiful and many are open to the public.

The old quarter of Córdoba, covering roughly a little less than a square mile, spills gracefully downhill from the more modern part of the city to the Mezquitas, or Mosque, which is located near the Guadalquivir River.

Private cars are no help here. Córdoba should be toured on foot or in a horse-drawn carriage. The place to start is uphill in Córdoba's lively main square, the Plaza de las Tendillas, lined with open-air bars and cafés that make it an ideal spot for sampling Montilla or Moriles.



Photograph by T. S. S.

Córdoba, above. The pillars of the Mosque, right.

The street named Jesús María, at the southwest corner of the plaza, leads downhill toward narrower streets branching into tiny, almost secret plazas.

Serendipity may lead the visitor to an Arab gate in the ancient city

walls or the Plaza del Potro (Plaza de la Col), whose inn, still standing, Cervantes both stayed in and described in "Don Quixote," or to the 14th-century Alcázar, where Ferdinand and Isabella received Columbus and directed the battle

to reconquer Spain from the Arabs, or to the Plaza de la Corredera, reminiscent of the Plaza Mayor in Madrid, in which bullfights were once held.

Other places to seek out include the Archaeological Museum, the Julio Romero de Torres Museum, with strange, haunting paintings; the Bullfighting Museum, with remnants of great bullfighters born in Córdoba, including Manolete and the idol of the 1960s, El Cordobés; the Street of the Flowers, which frames the Mosque's bell tower between white walls splashed with flowers and, of course, the Mosque itself.

Built during four separate periods, from 785 to 987, and in four styles of Spanish-Moslem architecture, the Mosque is said to be the oldest building in Europe in continuous use. It originally contained

1,000 columns and still has 860. It is so vast and impressive that even the insertion of a Roman Catholic cathedral in the middle of it in the 16th century hardly detracted from its splendor. To best appreciate its powerful presence, go early, shortly after the cathedral opens to worshippers at 8:30 A.M. and before the Mosque officially opens to tourists at 10:30, and wander among its pillars.

The Mosque can be the center of a visitor's life in Córdoba. The Hotel Maimonides (tel: 957-47.15.00), pleasant and comfortable, is just across the street. Around the corner from the hotel, also facing the Mosque, is a restaurant, the Caballo Rojo (tel: 957-47.53.75), with a menu including regional specialties and dishes inspired by the cooking of Arab Córdoba.

— BARBARA BELL

Tourism: The Image Is Changing

(Continued From Previous Page)

pected to reach the million mark this year. Britain and West Germany are considered Spain's biggest tourism clients, with slightly over 6 million British visitors last year spending more nights and about the same amount of money in Spain as the 5.25 million West Germans. France actually leads in the number of its citizens entering Spain, with almost 10 million last year, but they spent fewer nights than the Britons and the West Germans and ranked third in money spent.

Italian tourism to Spain has grown sharply since 1982, when Spain hosted the World Cup soccer championship, which Italy won. "Italian fans obviously liked Spain and told their friends about it," Mr. Vasallo said.

From more distant lands, 109,000 Japanese, 52,000 Australians and 6,500 Chinese visited Spain last year.

Rising crime has been a problem for the tourism industry. Purse snatchings and muggings worry tourists and residents alike in beach resorts and major cities, and a recent announcement stated that robberies in commercial establishments in Madrid increased by 32 percent in 1984.

This is a "priority theme for government action right now," Mr. Vasallo said.

While noting that London and Paris have higher crime rates than Madrid, Mr. Vasallo recognized "increased insecurity" as a problem for tourism. "We had a couple of bad years but I believe things are now under control," he said, citing recent legal changes to speed trials and crack down on drug dealers and foreign criminals operating in Spain.

Also, 4,000 additional police will patrol tourist centers this summer.

Terrorism by Basque separatists, Mr. Vasallo said, is "localized in San Sebastián, Pamplona, the

Basque Country and has no effect on general tourism." He dismissed bomb explosions in other coastal areas as "harmless little firecrackers."

Tourism slogans have been updated. For the United States, there is "Spain: All of Europe in a single country," and for Europe, "Spain: Everything under the sun."

"We want to maintain tourism on our beaches but we also want to remind people that there is more to do in Spain and much more here than 'sol y playa,'" Mr. Vasallo said.

For example, a current advertisement pictures a seaside banquet featuring seafood, paella and other Spanish dishes and proclaims: "There is more than one way to enjoy our sunny beaches." Another displays Spanish ceramics, leather goods and handicrafts and states: "You'll bring back more than a suntan from Spain."

The future of tourism looks bright to Spanish officials.

A new marketing program being drawn up for next year will attempt to lure tourists to the green northern regions of Spain, which, in spite of attractions like the cathedral of Santiago de Compostela in Galicia, in the northwest, draws only 2 percent of Spain's foreign visitors.

Spain now has 82 *paradores*, the government-run chain of often luxurious hotels, about half of them in castles and other monuments, and a total of 850,000 hotel beds.

Spain's tourism goals are simple, Mr. Vasallo said: "In the United States, to be the European market that grows most. In the rest of the world, to be the leader in every market in which we compete."

— BARBARA BELL

Trendsetters in the Arts Quicken Capital's Pace

By Carlos Garcia-Calvo

MADRID — The *movida*, a happening that groups together everything that is avant-garde, fashionable and youthful in Madrid, is gathering momentum in the capital. Members of the movement are mainly trendsetters who experiment with new fashions, art forms and new writing. In the past three years they have transformed Madrid from a staid, bureaucratic capital into an exciting center for new trends.

The main components of the movement — they call themselves *movidistas* — are film directors, photographers, designers, artists and writers.

Mostly, they wear outrageous fashions and enjoy shocking old-style bourgeois Madrid. The *movida* is constantly moving; movement is central to it, to the point that the term *movida* itself has become outdated and the trendsetters like to think of their movement as postmodernist, referring to themselves as *modernos*.

Next year, a new term will probably have been coined. European and American magazines have started to publish articles on the movement, and journalists hang around the new night spots that open every week to catch sight of the celebrities. People from all over Spain come to Madrid and try to join it.

Although it closed down for the summer after two years, "La Edad de Oro" ("The Golden Age"), a television show created and hosted by Paloma Chamorro, was the best and quickest way to become acquainted with the *movida* and to see its members in action.

With her Afro hairdo, eyes rolling, plump lips pouting, Miss Chamorro introduced the *movida* for more than an hour.

The show's title was rather mystifying; nobody really knew if the golden age referred to those of the people being interviewed (20 to 40 years) or if it applied — with a touch of nostalgia — to the golden days when Miss Chamorro was one of the happy few who realized that there was a *movida* afoot and who first spoke about it in her old, short, rather obscure television talk show five years ago.

She interviewed painters, rock musicians, architects, photographers and a cinema director, who were the founders of the *movida*. It was like seeing members of some exclusive club talk about their latest work. There was also a live concert by some foreign group, like Culture Club, Tuxedo Moon, Spandau Ballet or Siouxsie and the Banshees, or a cult figure like Divine. She also commissioned her favorite painters like Carlos Alcolea or Guillermo Pérez Villalta to write and direct short features for her program, the most famous being Cesped's "Lady Meets a Tramp," starring two of his muses, Lola Moriarty and Ouka-Lele.

This led some people to accuse the original *movida* founders of being narcissistic, of forming a closed elite. Nevertheless, most artists in Spain want to join the movement, something original members resent.

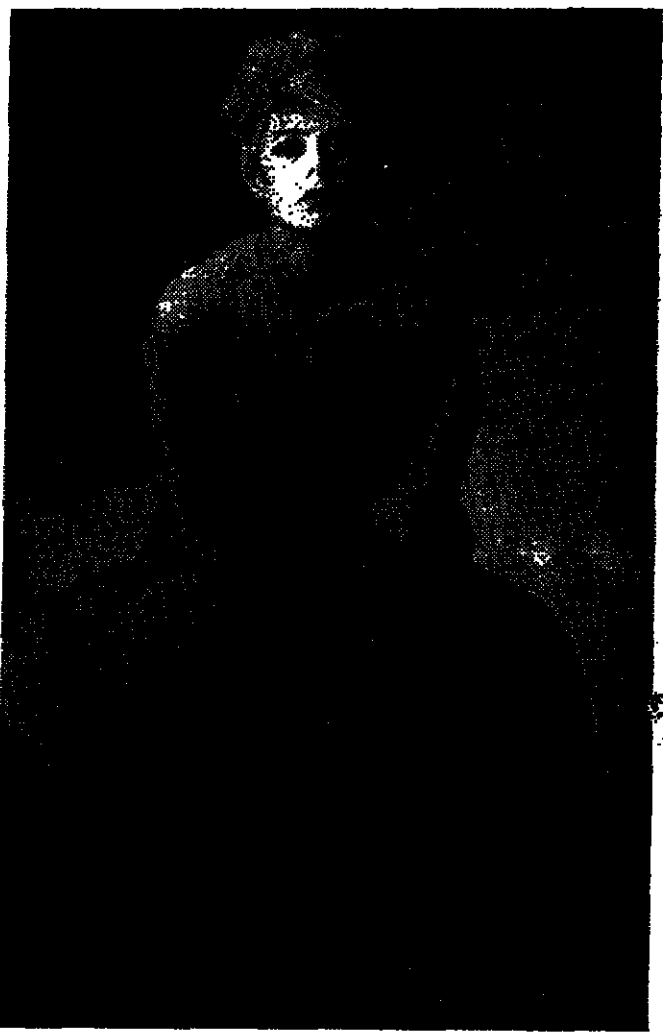
A well-known designer, talking about the noted international painter Miguel Barceló, said "he never belonged to the *movida*," a nuance a layman would not recognize, as Barceló hangs out with movidistas when in Madrid.

Juan Carlos de la Iglesia, a journalist, said: "We shall all be writing treatises on the *movida* soon, and living off it for years. One of the tricky points in question will be who was in it to start with and who decided to join it when it was under way. Who were the people who hung around the terrace of the Teyde bar every night during the warm season till four o'clock in the morning, four years ago?"

The Teyde bar is still flourishing, although it has become crowded and lacks its original flavor. The *modernos* have moved on to another terrace bar a few blocks up the Castellana. During its heyday, Pedro Almodovar, who had only directed one movie then, the outrageous "Pepi, Luci, Bom y Otras Chicas del Montón," would table-hop with his star, the sometimes transvestite Fabio de Miguel, in attendance. Eschewing the "cure" look, unkempt eclectic clothing then in fashion, they would catch words while Pablo Pérez-Minguez, a photographer, would snap away. Pérez-Minguez was one of the first to realize the *movida*'s potential, and his albums reflect its history, with shots of Radio Futura and Alaska, the two most important rock groups that dominate the Spanish musical scene today, when they were starting out. There is also Pedro Almodovar's progress from "Pepi, Luci, Bom" onward, the whole cure-look rags-to-Arm-and-Legs of the movement.

"The *movida* took Spain out of Franco's Council of Trent dark ages into the eighties," Pérez-Minguez said.

He is not at all surprised to see someone like the American photographer Robert Mapplethorpe taking photographs of Madrid's regulars at Mac, his favorite bar. "We have become the craze, so it is quite natural," he said.



Agatha Ruiz de la Prada and her hoop dress.

Today, members of the early *movida* have become superstars and have married, remarried, regrouped and settled down — more or less. Artists like El Hortelano and Cesped sell everything they paint, and they exhibit with great success outside Spain. Ouka-Lele, who lived with them both for a while and later married Hortelano, has people queuing up for her photographs. Their friend Alberto

García-Alix, who always acted in Cesped's films, has become something of a cult photographer.

Ana-Cara, who played in Alaska y los Pegamoides, a rock band, is notorious for her dictums on life and her weird clothing and makeup. Her group, called Alaska y los Pegamoides, still has two of its founders, Carlos Berlanga and Nacho Canut, who write all the songs they sing.

According to Canut, "when Alaska started to see people going in on our scene, she decided to become a real pro."

Their latest album, "Carnal Desire," topped the charts for months and is selling very well in Latin America. She also played Bom, a lesbian nymphet, in "Pepi, Luci y Bom," Almodovar's first movie.

Almodovar has come a long way since then, directing three more movies that have won raves at different film festivals. His second picture, about two nymphomaniacs who find true love, and his third, about nuns who sniff cocaine, were really about the Madrid *movida*, its transvestites, rock stars and artists, with its very witty dialogue and never-ending night life.

But the Spanish postmodernists are becoming international, through people who were not really in the *movida* to start with. Agatha Ruiz de la Prada, a 23-year-old dress designer, is a case in point. She has designed the muffin dress, the bow dress, the bubble dress and the hoop dress. The robe-longue version of the hoop makes women look like chic animated turn-of-the-century lampshades.

There is also Sybilla, an elfin creature just turned 20, who shuns the press, hates being photographed and turns out the most beautifully finished intricate clothes. She also designs shoes and hats.

The Ministry of Culture seems to realize the Madrid postmodernist movement's potential. It is sponsoring Miguel Barceló exhibitions in New York and Bordeaux and is preparing a huge show of his work in Madrid this autumn, rather unusual for a painter just turned 28.

Enrique Tierno Galván, the mayor of Madrid, is always alluding to the movement. He staged the city's San Isidro festivities along those lines, with rock concerts every day for a week, and attracted masses of tourists.



The members of Radio Futura, the Spanish rock group.



From left: Pedro Almodovar, Fabio de Miguel and Pablo Pérez-Minguez.

BANCO DE BILBAO GROUP: BALANCE SHEET AND RESULTS 1984.

Banco de Bilbao has pleasure in presenting the consolidated Group balance sheet and results for the 1984 financial year.

These figures are extracted from the Annual Report of the Group for 1984, which provides a comprehensive and detailed analysis of accounting magnitudes for the past five years and evidences the profitability, solidity and financial strength of the Group.

The international expansion of the Banco de Bilbao Group in 1984 materialised in the establishment of two new subsidiary banks overseas: Banco de Bilbao (Suiza) S. A. in Zurich and Banco de Bilbao Deutschland A.G. in Frankfurt, strengthening and amplifying the already wide coverage of our integrated network of offices in Europe.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 1984 AUDITED CONSOLIDATED GROUP FIGURES

	In millions of Spanish pesetas	
	1983	1984
TOTAL ASSETS (less contra accounts)	2,225,584	2,225,584
CASH & DUE FROM BANKS	754,783	754,783
BILLS & LOANS	1,132,156	1,132,156
CAPITAL & RESERVES (less minority interest)	92,980	92,980
DUE TO BANKS	345,266	345,266
CUSTOMERS' DEPOSITS & BONDS	1,628,366	1,628,366
NET PROFIT AFTER TAXES	12,767	12,767
NET PROFIT PER SHARE*	286	286
DIVIDENDS PER SHARE*	119.02	119.02

* in pesetas

An inherent characteristic of the Banco de Bilbao Group is the well-balanced contribution of the Financial Group subsidiaries to the consolidated balance sheet and results.

Contribution of the consolidated companies (as a percentage of Banco de Bilbao figures)	
— Total assets	36.2
— Advances	27.5
— Customers' funds	32.8
— Operating margin	28.0
— Operating costs	14.4
— Net Profit	36.0

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BANCO DE BILBAO

A SPECIAL REPORT ON SPAIN

Madrid's Recovery Program Liberalizes Foreign Investment

MADRID — Foreign investment, one of the few items in Spain's economy showing strong growth, has been further liberalized as part of the Madrid government's recent recovery plan and is expected by authorities to continue this pattern. This will help offset the continuing slide of domestic investment.

Last year, foreign investments grew by 14 percent in real terms, but gross capital formation in Spain fell by 3.5 percent. The foreign influx was even more notable in the bullish Spanish stock markets, where over-all turnover doubled but the foreigners' share tripled. Altogether, foreign investment totaled almost \$2 billion — 1.2 percent of Spain's gross national product.

Last April, conditions for foreign investment were relaxed as part of a plan announced by Miguel Boyer, the minister of the economy and finance, and intended to revive economic activity and consumption after a drop in exports late in 1984 practically wiped out the timid growth that Spain's economy managed earlier last year.

In keeping with Mr. Boyer's plans, previous authorization by

the Council of Ministers for Investments giving a share of 50 percent or more to non-Spanish citizens or corporations has now been suppressed. Real-estate acquisitions by foreigners have also been thoroughly liberalized. Only a communication for statistical purposes will be required. Governmental authorization will still be required for a handful of "sensitive" industries such as air transportation or local radio.

Under the old system, the cabinet approved practically all investment proposals, but there were some notable exceptions. Most recently, a bid by the French edible oil concern, Lesieur Cotte, for Carbonell, Spain's leading olive-oil bottler, was turned down. The reason given by the Madrid government was that, since Lesieur already controls the Spanish oil firm Koipe, the Carbonell takeover would have given it control over three-quarters of the country's olive-oil production — a "strategic sector."

The liberal wing of the cabinet, headed by Mr. Boyer, reportedly opposed the Lesieur bid but was finally overruled by what a Madrid newspaper described as "the nationalistic, dogmatic wing."

With European Community membership at hand, a change in the current pattern of foreign investment is foreseen by Madrid officials.

"There is already a trend to less capital investment in plant by companies from EC countries," the state secretary for commerce, Guillermo de la Haza, said in a recent businessmen's discussion.

"With Spanish tariff walls about to start disappearing, what the Europeans are interested in is no longer making their products here, but rather improving their distribution networks in Spain so they can sell here more of what they make elsewhere."

"On the other hand," Mr. de la Haza added, "non-EC investors have a growing interest in Spain for that same reason — because it will soon be a member of the community."

While the percentage of foreign investment in EC countries was 51 percent in 1983 (from a total of 243 billion pesetas (\$1.38 billion), it dipped last year to 35 percent of 315 billion pesetas.

The overall growth of foreign investment is part of a prolonged trend — for the past decade, this growth has averaged 4.8 percent annually in real terms. With Spain and the EC getting constantly closer to an agreement on accession, which was finally reached March 29, the trend accelerated to resemble a frenzied race.

Paradoxically, Spanish investors have not followed suit (domestic investment has been diminishing in real terms for 12 years now), and it remains to be seen whether lavish fiscal inducements in Mr. Boyer's plan will reverse that trend. The local investors have never recovered faith after the fast-growth, instant-amortization era during Francisco Franco's last 15 years in power. Dissolving profits, fast-growing taxes and the labor market rigidities have virtually dried up local investment.

On the other hand, foreigners have taken a very different view of Spain's prospects and adopted a longer term outlook. Compared with other areas of the world, particularly in developing countries, social peace in Spain appears almost idyllic, and the country, with a population of almost 40 million, retains a considerable potential for growth and market development.

which has all but disappeared in richer European countries.

Also, as the American and Japanese companies in the automobile industry have been quick to grasp, Spain's status as an EC candidate made it a perfect bridgehead into the protected European market.

Not all is rosy for the future if some official figures are considered. Spanish economists say. Particularly, only 10 percent of foreign investments in 1984 was devoted to the creation of new businesses. Most is devoted instead to capital increases (69 percent) and to the purchase of shares (21 percent). On the other hand, profit remittances, dividends and payments for royalties and patents strongly diminish the positive impact of foreign-controlled companies on Spain's economy as a whole.

— VICTOR DE LA SERNA

Industry: How to Grow Without the 'Greenhouse'

MADRID — The most eloquent statistic on Spanish industry is that in the decade 1973-1984, 2.4 million jobs were lost on a net basis, at a rate of 220,000 jobs a year. The so-called "Spanish miracle" of the 1960s, when the country's economy moved into top gear, was stopped in its tracks by the middle 1970s.

Spanish industrial policy continues to stress the reduction of over-manning and the identification of future growth sectors. Coloring this is the impact of European Community membership.

What Spanish economists and government strategists have come to realize is that the "miracle" of the boom years was deceptive. Industry grew quickly because it was highly protected. EC membership means that the greenhouse of protectionism will be dismantled.

In January, Spain introduces val-

ue-added tax and embarks on a seven-year transition which means, at its terminal point, the full acceptance of the EC common external tariff. According to a forecast by the European Commission, the effect of VAT and of the tariff will amount to halving the current trade protection enjoyed by Spanish products.

Confronted with such a future, Spanish business is, naturally, alarmed. A set phrase that is heard in business circles is: "Spain is not entering the EC, Europe is entering Spain." Broadly, the challenge that Europe poses has fueled more than ever the policy of *saneamiento*. This means a concerted attempt to have Spanish industry streamlined in order to survive the rigors of life out of the greenhouse.

Saneamiento has been the buzz word among Spanish officials ever

since the Socialist government took office at the end of 1982. Layoffs have been the norm in the smokestack sectors, which are, in the main, public owned. The steel and shipbuilding industries have been shedding their labor force, telescoping into a two-year period what other European governments have achieved by stages over the past 10 years.

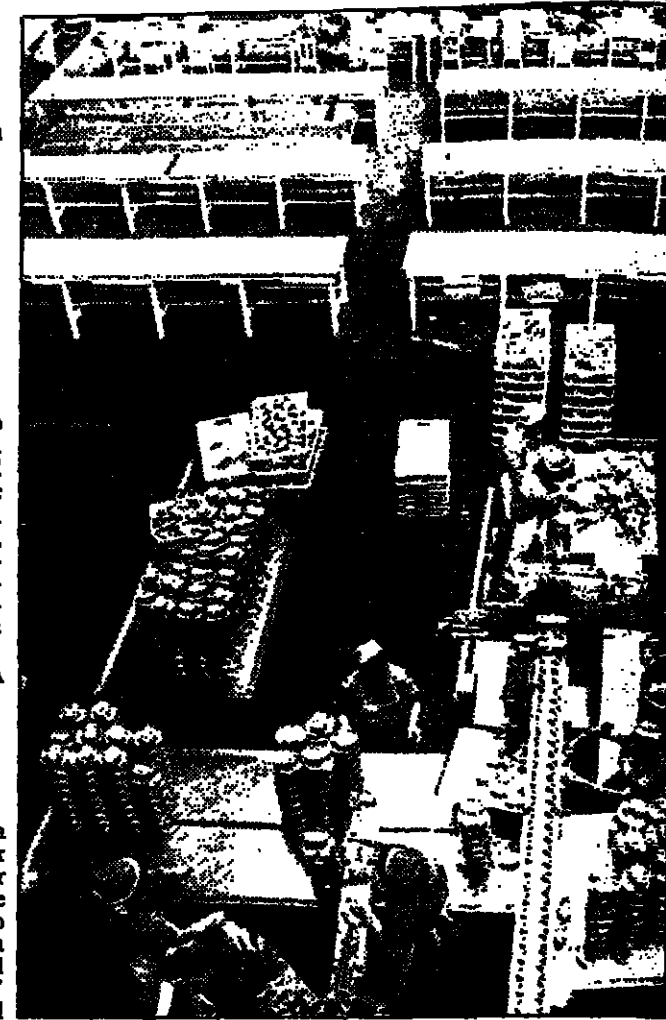
The prime mover of *saneamiento* has been Industry Minister Carlos Solchaga, who soon after taking office let it be known that Spain was five years behind comparable Western European societies in the drive to update industrial infrastructures.

Late last year, Mr. Solchaga promoted his undersecretary in the industry ministry, Luis Carlos Croissier, to be chairman of the public-sector holding company, the

Instituto Nacional de Industria (INI). Mr. Croissier, 35, a member of the Socialist Party, Mr. Croissier not only forced through layoffs, he also began spinning off INI group companies to the private sector in a manner that earned him the label of the government's "Thatcherite."

He has sponsored unusual moves, which have included the selling off to private investors of an INI-owned carpet and textile producer and the closing down of a publicly owned ball-bearing plant.

As the smokestack sectors are redefined, so has there been an increased drive toward attracting high technology to Spain. In this, INI has also played a major role. Essentially, the state holding company has relinquished its responsibilities in favor of the national telecommunications company, Compañía Telefónica Nacional de



The floor of a fish-packing plant in Galicia.

España (CTNE), which is part government owned and has a host of small-time investors much on the model of British Telecom. INI, under Mr. Croissier, has turned its computer manufacturer, Secosins, which is associated with the Japanese group Fujitsu, over to CTNE. The national telecommunications company has thus taken on

the lead role in Spain's bid to, in the words of Mr. González, "catch the train of the 21st century."

In government and business circles there is, despite gloomy statistics on employment and domestic investment and growth, a degree of buoyancy and optimism over what lies ahead.

— TOM BURNS

González Cultivates His Garden With Sure Political Hand

(Continued From Page 7)

cratic Center (UCD) party, which preceded the Socialists in government, was that, as one former cabinet member put it, "The public ended up knowing very well how very badly we all got on with each other." The leadership of the UCD was constantly at loggerheads, to the point that the party's former leader, the prime minister of the post-Franco transition years, Adolfo Suárez, finally left the party and created his own centrist group. The Spanish voters firmly turned their backs on the UCD in the 1982 elections and the party collapsed into oblivion. The flame of center-party politics is kept flickering by Mr. Suárez and his tiny Social Democratic Center, which has two seats in the 350-member Congress of Deputies.

Mr. González, in contrast, has maintained the same cabinet team he appointed when he took office. The Madrid café-society talk of political ins and outs and of impending cabinet reshuffles has dried up. There is no doubt that Mr. González, with the telling support of Mr. Guerra, is in charge. The Socialist Party Congress held last December, the first convention that the party had held since winning the elections, was a model of party unity.

If Mr. González governs through to next June, as appears likely, he will have been the first post-Franco prime minister to have served out his full term. This achievement in itself has voter appeal. Although the official Socialist Party campaign slogan in 1982 was "for change," Prof. Ignacio Sotelo, a leading analyst of contemporary Spanish politics, says Spaniards in reality wanted stability and firm government. In this sense, Mr. González has delivered the goods.

The most trenchant example of this policy concerns the relations between the civilians and the military. Saber rattling against democracy, a feature of the transition process until Mr. González took office,

is now noticeable only by its absence. Episodes such as the failed putsch attempt of 1981 now appear light years away. Such tranquil political waters would appear to bear out the judgment that the military are only a problem in Spain if the civilian politicians are a problem.

Mr. González takes credit for the fact that during his tenure of office politics has become "normalized." One of the points he makes in private is: "I had to wait until I was 36 before I was able to vote in elections. I want my son Pablo" (his eldest and now aged 12) to vote as soon as he is 18.

Mr. González's major political priority is to consolidate democracy in Spain and he speaks of this as the "historic challenge" that he, his associates and his party have to face.

By a fortuitous combination of timing and determined negotiating, Spain's long-awaited entry into the Common Market has coincided with Mr. González's prime ministership.

The immediate impact of European membership on the Spanish population has been almost wholly psychological. Spaniards view membership as a coming of age, as the seal of approval on Spain's progress and modernity, as an admittance into a select club of developed nations and as an end to an isolationism that has lasted for centuries.

Mr. González says that with EC entry, Spain will "make a qualitative leap forward" and he claims that within a decade "nobody will recognize this country." Behind such statements lies a conviction shared by the prime minister and by many others in public life in Spain that the country has, in its youth and vitality, a tremendous potential and that the European Community forms the perfect channel for Spain's pent-up energies.

EC enthusiasts in Spain argue that the country boomed when an economic liberalization program at the end of the 1950 did away with

the state-directed autarchy. That liberalization was accompanied by an early bid to join the EC and, since Francoism prevented full membership, Spain settled for what was to be a highly beneficial preferential agreement with Brussels in 1970. The new bout of trade liberalization as a result of entry is seen as heralding a second Spanish boom.

There are others who are far less sanguine. They point out that two decades ago the Western economy was growing at full steam and that this is far from the case now. They argue that at a time when Spain's trading partners are paying only lip service to liberalization and are adopting protectionist practices to shore up their domestic industries,

Spain has quixotically agreed to do away with its highly effective trade barriers.

"As usual, we are swimming against the current," was how a Madrid businessman in the domestic-appliance sector put it.

The Europeanists in Spain concede that disenchantment with the EC will set in during the early stages of membership. The imposition of the value-added tax, scheduled for Jan. 1, will have an inflationary effect and the progressive lowering of tariff protection during the seven-year transition will have an impact on the labor market.

But the general satisfaction that Spain is at long last accepted on the European stage will nevertheless be the pervasive sentiment in the early

months of membership — Foreign Minister Fernando Morán talks of entry as "the end to a historic frustration." These sentiments will undoubtedly be used by Mr. González in next year's election campaign.

Political trump cards are necessary to the prime minister because the government's economic strategy looks increasingly in disarray. The 1982 Socialist Party manifesto had mapped out a policy of public investment and expansionism to create jobs, much on the model of the French Socialists, but, on taking office, the newly appointed economic minister, Miguel Boyer, put the manifesto's proposals into a filing cabinet and embarked on an austerity program that was a stabilization plan in all but name.

Inflation and the budget deficit were identified as the twin evils by Mr. Boyer as he set about pegging salary increases and reining in the public sector.

Mr. González has steadfastly backed Mr. Boyer. The prime minister told the December Socialist Party convention: "We were not elected to power to redistribute misery and shortages." The keynote theme was that Spain's business class had to be encouraged to create wealth.

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A SPECIAL REPORT ON SPAIN

Plazas Full, Bullfighting Is 'In' Again

By William Lyon

MADRID — On June 7, at approximately 9 o'clock in the evening, the scene was tumultuous as the last and best of 24 straight days of corridos drew to a close at Madrid's San Isidro fair, which might be called the world series of bullfighting because it brings together the best matadors and bulls in the world's most important plaza.

More than 20,000 people, many with tears in their eyes, stood chanting "torero, torero, torero!" at Antonio Chelén, popularly known as Antofiete, a frail,

punchy, 53-year-old grandfather in his last season as a matador, who was being carried around the ring in triumph after having created, with just his cape and courage and intelligence, two important but important works of art.

The scene reflected not only the intense emotion possible in this ancient spectacle but also the present state of *toro*. Despite a lack of fierce bulls and master matadors, bullfighting in recent years has undergone something of a renaissance. Public interest in the sport, especially in Madrid, is probably at its highest since the 1960s, when El

Cordobés was the rage. Suddenly, it is fashionable to be an aficionado.

"Until recently, the bulls were something you associated with the previous generation, with which you were in conflict," said Andrés de Miguel, a 32-year-old sociologist. "But now many young people have discovered the aesthetics of bullfighting, that it is totally different from any other spectacle."

With the coming of democracy 10 years ago, and with Spain's subsequent entry into the North Atlantic Treaty Organization and, most recently, the European Community, there were concerns that bullfighting might be losing popularity. Now, when men have walked on the moon, there is more interest in watching another man, dressed in a "suit of lights," kill a bull with a sword.

The answer would seem to be yes. The San Isidro fair, like early-season fights in Valencia and Seville, was sold out virtually every day. It was one of the best fairs in recent memory, and this has gotten people talking about bulls again.

They may soon even be betting on them, if the plan goes through for bullfight "pools," modeled on soccer betting. Aficionados would wager on the number of ears awarded to a dozen matadors on any given Sunday. While many aficionados feel this would be a sacrifice, the system's backers see it as an important way to promote the fiesta.

Part of the renewed interest probably stems from the death last September — "from horn wounds and inadequate medical attention" — of Francisco Rivera, known as "Paquirri," one of Spain's most popular performers. Virtually the

whole country saw the gruesome film, played again and again on television, of the matador on the operating table a few hours before he died, calmly reassuring the doctors and describing for them the nature of his wounds. His death, approaching a national tragedy, made many Spaniards examine their attitudes toward this important element in the Iberian psyche, and many found they were fascinated by the bulls.

Much of the renaissance has been stimulated by the media, especially in Madrid. During the fair, the important radio stations broadcast bulletins from the ring and long reports on each day's fight, and the capital's five daily papers all devote several pages to expert analysis.

Some of the writing is done by Spanish intellectuals, who have taken a renewed interest in the fiesta. "Bullfighting gives them a chance to show off," says Mr. de Miguel, who said that these writers usually approach the fiesta "through its rites and liturgical elements, which is a sterile approach." Manuel Arroyo, head of the noted Turner publishing house, which has recently published or reissued a number of important works on tauronomy, is even more critical of these intellectuals — "many of whom rarely go to the plaza" — calling much of their work "lamentable."

But he said that there was a healthy public interest in the "artistic" bullfighters like Antofiete, "those capable of creating great beauty through the depth and grace of their movements," as opposed to the more journeyman matadors. The traditional structures of the



Crowds in the stands. At right, Antofiete in ring.



The Referendum: González Uses EC to 'Sell' NATO

MADRID — First, Felipe González, soon after he became prime minister, convinced himself that NATO membership was best for Spain. Next, he persuaded his government and then, last December in a national convention, he brought around the ruling Socialist Party to his pro-alliance views. Now, Mr. González has to convince the Spanish people.

The prime minister says he will honor an election pledge to hold a referendum that will ask Spaniards whether they wish Spain to remain in the North Atlantic Treaty Organization. The pledge was made

to mark the first public admission by him that he had changed his views on NATO and now favored continued membership.

The three chief elements in the package are that Spain would remain nuclear free, that it would not be a member of NATO's integrated military command structure and that there would be a reduction of the U.S. military presence as a result of the Madrid government's definitive alignment within the alliance.

Spain's non-nuclear status had been resolved by a parliamentary vote at the time of the 1982 entry into the alliance and the decision to remain outside the military command structure was made by Mr. González in December of that year as soon as he took office as prime minister. The surprise element in the package was the link between NATO membership and the U.S. military personnel in Spain, numbering about 12,000.

In early May, when President Ronald Reagan came to Madrid during his European tour, Secretary of State George Shultz and the Spanish foreign minister, Fernando Morán, agreed to initiate an overall review of the Spain-U.S. defense agreement focusing on the base facilities afforded to the United States and on U.S. troop strength. The defense accord, which dates to 1953, was last renewed in 1983 and is due to be renegotiated by 1988.

Mr. González has not specified the reduction that he is seeking nor whether it will involve the closure to the United States of one of the four bases where it currently enjoys facilities. The fact that talks over reduction are on the U.S.-Spain agenda, however, constitutes something of a diplomatic coup for Mr. González. The linkage between these talks and continued NATO membership is seen as a powerful argument in favor of the alliance in the referendum campaign. Voting in favor of continued NATO membership effectively means voting in favor of reducing the U.S. troop presence.

The pro-NATO package presented by Mr. González was recently characterized by a Western ambassador in Madrid as "NATO, yes — but." With a ban on the deployment of nuclear weapons, a refusal to join NATO militarily and a proposed scale-down of U.S. troops in Spain, Mr. González has kept his commitments to Western defense as loose as possible.

The Spanish prime minister argues that his referendum proposals constitute the most that he is able to offer and the best platform possible to persuade Spaniards to vote in favor of the alliance. At the same time, he is putting across the message that Spain, whether in NATO or not, is firmly part of the West, that neutralism and nonalignment are not an option and that the alternative to NATO membership is continued defense dependence on a bilateral agreement with the United States.

Many Spaniards in public life believe that Mr. González has set himself an impossible task and that there will be no significant shift of public opinion in favor of the alliance. Juan Díez Nicolás, a Madrid University sociology professor and one of Spain's most experienced pollsters, claims that there is "an inbuilt majority" against NATO that the prime minister will be unable to whittle away.

It is because of such public-opinion indicators that many believe the referendum will not, in the end, be staged. Put another way, the referendum will only be held if a pro-NATO vote is assured. Either way, Spain will not be leaving the alliance.

— TOM BURNS

CONTRIBUTORS

BARBARA BELL is a Paris-based journalist.

TOM BURNS, a director of Spanish Trends, a Madrid-based monthly business report, writes for Newsweek and The Washington Post.

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STEVEN J. DRYDEN, a Brussels-based correspondent, writes the International Herald Tribune's EC column.

WILLIAM LYON is on the editorial staff of the daily newspaper El País in Madrid, for which he frequently reports on bullfighting.

VICTOR de la SERNA is editor of Spanish Trends, a Madrid monthly.

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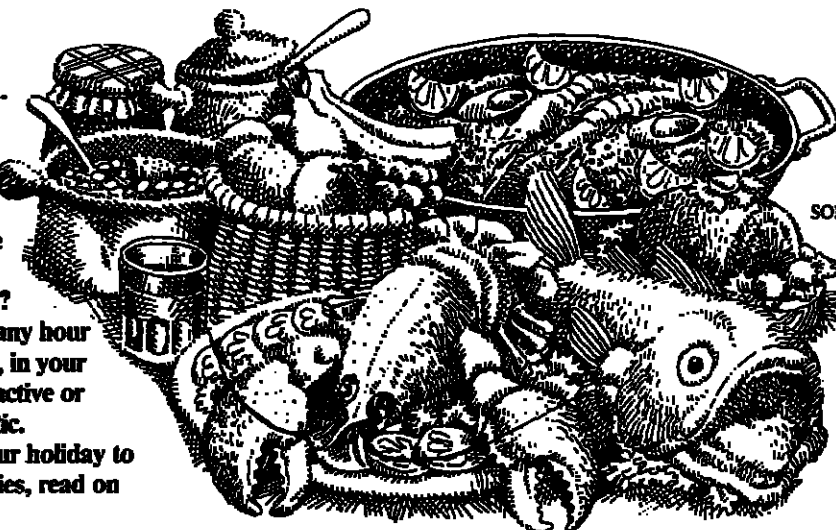
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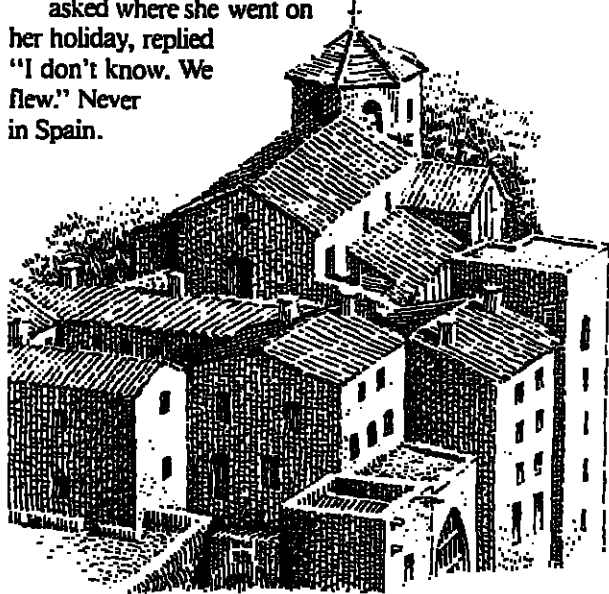
Perhaps people-watching at an outdoor cafe while sipping a rare sherry might catch your imagination. Or you could just go to your room and read a book.

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AT&T	102.00	+1.00	1,100,000	101.00
GE	45.00	+1.00	1,000,000	44.00
AMT	115.00	+1.00	900,000	114.00
GO	110.00	+1.00	800,000	109.00
MSFT	105.00	+1.00	700,000	104.00
BA	100.00	+1.00	600,000	99.00
DIS	95.00	+1.00	500,000	94.00
W	90.00	+1.00	400,000	89.00
HP	85.00	+1.00	300,000	84.00

Dow Jones Averages				
Index	High	Low	Open	Close
Indus	1347.75	1322.75	1325.00	1325.00
Transp	441.14	431.14	432.50	432.50
Comp	294.44	284.44	285.00	285.00
Relat	110.00	105.00	106.00	106.00
Comp	110.00	105.00	106.00	106.00

NYSE Index				
Index	High	Low	Open	Close
Composite	1347.75	1322.75	1325.00	1325.00
Indus	441.14	431.14	432.50	432.50
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Relat	110.00	105.00	106.00	106.00
Comp	110.00	105.00	106.00	106.00

NYSE Closing				
Vol.	3 P.M.	4 P.M.	5 P.M.	6 P.M.
Vol.	17,776,000	17,776,000	17,776,000	17,776,000
Prev. 3 P.M. vol.	17,776,000	17,776,000	17,776,000	17,776,000
Prev. consolidated close	129,340.00	129,340.00	129,340.00	129,340.00

AMEX Diaries				
Index	High	Low	Open	Close
Composite	1347.75	1322.75	1325.00	1325.00
Indus	441.14	431.14	432.50	432.50
Transp	294.44	284.44	285.00	285.00
Relat	110.00	105.00	106.00	106.00
Comp	110.00	105.00	106.00	106.00

NASDAQ Index				
Index	High	Low	Open	Close
Composite	1347.75	1322.75	1325.00	1325.00
Indus	441.14	431.14	432.50	432.50
Transp	294.44	284.44	285.00	285.00
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AT&T	102.00	+1.00	1,100,000	101.00
GE	45.00	+1.00	1,000,000	44.00
AMT	115.00	+1.00	900,000	114.00
GO	110.00	+1.00	800,000	109.00

Dow Jones Bond Averages				
Index	High	Low	Open	Close
Govt	1347.75	1322.75	1325.00	1325.00
Corp	441.14	431.14	432.50	432.50
Muni	294.44	284.44	285.00	285.00
Relat	110.00	105.00	106.00	106.00
Comp	110.00	105.00	106.00	106.00

New York Stocks Turn Mixed

NEW YORK — The stock market turned mixed late Wednesday in active trading. The Dow Jones industrial average was down 0.78 to 1,303.98 shortly before 3 P.M. But advances still led declines by an 8-7 ratio among the 1,967 issues crossing the NYSE tape.

Five-hour Big Board volume amounted to about 91,165,200 shares, against 90,230,000 in the period Tuesday.

Prices were mixed in active trading of American Stock Exchange issues.

Analysts said stock prices had been buoyed by the belief that Thursday's report on second-quarter gross national product growth would

show that the economy had slowed sufficiently to compel the Federal Reserve to ease credit conditions.

Before the market opened, the Commerce Department reported that personal income fell 0.5 percent in May.

"The street is hoping that if the 'flash' estimate of second quarter GNP comes in at 2.5 percent or lower, the Fed would have to take fairly prompt action and lower the discount rate and another notch," said Eugene Peroni of Bateman Eichler, Hill Richards.

Mr. Peroni said investors are feeling cautious. A cut in the discount rate, the interest the Fed charges for overnight loans between banks, might not be the cure-all some people expect, he said.

As portfolio managers pull their portfolios into shape at the end of a quarter, they may take advantage of market strength to sell stocks they no longer want, he said, adding that technology stocks could suffer more in that case.

If the Fed does not lower the discount rate, the market could "go into a lazy retreat" to the 1,275-1,280 area, Mr. Peroni said. "That would be the ideal buying point," he said.

Utilities were active. Bell South was near the top of the active list and of slightly. Southern Company and Commonwealth Edison were also off fractionally, while Niagara Mohawk, Cincinnati Gas & Electric and Boston Edison were up marginally.

AT&T was up a fraction. American Express was marginally lower. IBM was little changed. The company said it was reducing the purchase prices for selected models of its large processors and intermediate system computers. It also introduced a new processor and three new work stations.

RCA was off slightly. Its Hertz unit will be sold to UAL Inc., the parent company of United Airlines, for \$587.5 million. UAL Inc. little changed.

TWA was unchanged. Its three major unions, fearing cost-cutting moves by Texas Air Corp. if its planned \$925-million takeover succeeds, have formed a coalition to prevent Texas Air from gaining control. Texas Air had lost a little ground.

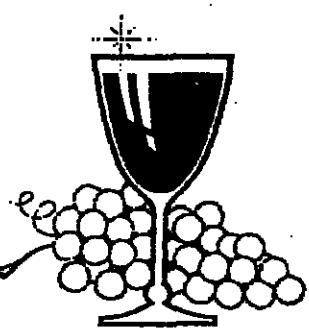
Auto stocks weakened. Chrysler may sign a \$600 million agreement to buy Gulfstream Aerospace Corp., one of the world's leading builders of corporate jets; Gulfstream's chairman said Tuesday. Gulfstream Aerospace was off slightly.

NYSE Most Actives				
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IBM	127.00	+1.00	1,200,000	126.00
AT&T	102.00	+1.00	1,100,000	101.00
GE	45.00	+1.00	1,000,000	44.00
AMT	115.00	+1.00	900,000	114.00
GO	110.00	+1.00	800,000	109.00
MSFT	105.00	+1.00	700,000	104.00
BA	100.00	+1.00	600,000	99.00
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(Continued on Page 14)

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NYSE volume	P.12	Interest rates	P.13
Commodity prices	P.12	Market summary	P.12
Currency rates	P.12	Oil prices	P.13
Commodities	P.14	OTC stock	P.16
Dividends	P.14	Other markets	P.18

THURSDAY, JUNE 20, 1985

WALL STREET WATCH

Regional Banks Gain Notice After Supreme Court Ruling

By EDWARD ROHRBACH

PARIS — Willie Sutton, known as "The Actor" for the clever disguises he used in numerous holdups, was asked by police after his arrest some years ago why exactly he robbed banks. "Because that's where they keep the money," he replied. But it was not just a day job for Mr. Sutton. He also once observed, "It's rather a pleasant experience to be alone in a bank at night."

A new book called "Funny Money," by Mark Singer, adds an updated dimension to the banking business by illustrating that there, indeed, the pen is mightier than the sword — and certainly any handgun. A customer of Oklahoma's infamous Penn Square Bank is described as signing loan notes on this "methodology": "Very simple. He borrows money and he doesn't pay it back."

But how can individuals be criticized when whole countries borrowing billions do not pay back their debts to American banks? As Shearson Lehman/American Express points out, while operating profits from international lending declined 9.7 percent in the years 1982-84, net income from U.S. banks' domestic operations rose 62.1 percent.

Beneficiaries of this trend have been the so-called regional banks, as distinguished from the "money-center" financial giants in New York, Chicago and California that have suffered their mountainous exposure to bad foreign loans. And last week the regional received a big boost from the Supreme Court when it ruled that they could merge across state lines with other banks in the region.

"It will allow the regional banks to combine and strengthen while delaying the ability of money-center banks to expand much beyond their existing operations," said Richard T. Hale, who heads the bank and thrift analysis group at Baltimore's Alex. Brown & Sons.

STOCKS of regionals went up on the news, particularly those considered likely candidates to be bought out. Takeovers already have been a strong element in the excellent market performance of regionals in the 1980s, Mr. Hale noted, as the stocks so far this decade have tripled the gain of the S & P 500 and doubled it the past 12 months.

Other factors he cited for their four-and-a-half-year bull market have been the fact that stock prices — at only a 55-percent multiple of the overall Wall Street price/earnings ratio in 1981 when investors were worried about the impact of bank deregulation — were at historic lows. Also the disinflationary trend since then has substantially improved the quality of their earnings.

Helped by earnings gains this decade that have been better than the market average, regionals are still only selling at 80 to 85 percent of the Wall Street P/E, he said. "Especially now with the merger-acquisition speculation and things generally going well, the group presents a very good buying opportunity because it should sell for at least a market multiple," he asserted. "There's significant room for appreciation."

Even a rise in interest rates that many economists are predicting for the second half of 1985 would not hurt earnings or stock prices much, he believes, citing the case in early 1984 when the issues only "paused" on Wall Street in a climate of temporarily rising rates.

"Regional banks are not as interest-rate sensitive as savings and loans or even money-center banks," he explained.

Areas he favors are the mid-Atlantic states and the industrialized Midwest. Prices of bank stocks there remain "reasonably valued" and have not been "bid up" by being long opened to interstate banking, he said, while local economies are "solidly improving fundamentals."

His top recommendations are American Fletcher, Ameritrust,

(Continued on Page 17)

Dollar Regains Ground

Markets Await U.S. GNP Figure

Compiled by Our Staff From Dispatches

LONDON — The dollar Wednesday regained some of the ground it had lost in a late sell-off in New York Tuesday as traders awaited Thursday's release of the "flash" estimate of the U.S. gross national product in the second quarter.

Analysts said that traders were reluctant to be short of dollars in expectation of an increase in the GNP estimates.

The dollar's recovery followed a steep decline on Tuesday, after major U.S. banks cut their prime lending rate one-half of a percentage point, to 9.5 percent. Many analysts predicted that the prime rate banks use as a benchmark for business loans, would be cut again within a few weeks.

In New York, the dollar rebounded at midsession Wednesday to 3.031 Deutsche marks after falling to less than 3 DM during trading Tuesday, for the first time since April. It settled at 3.002 late Tuesday.

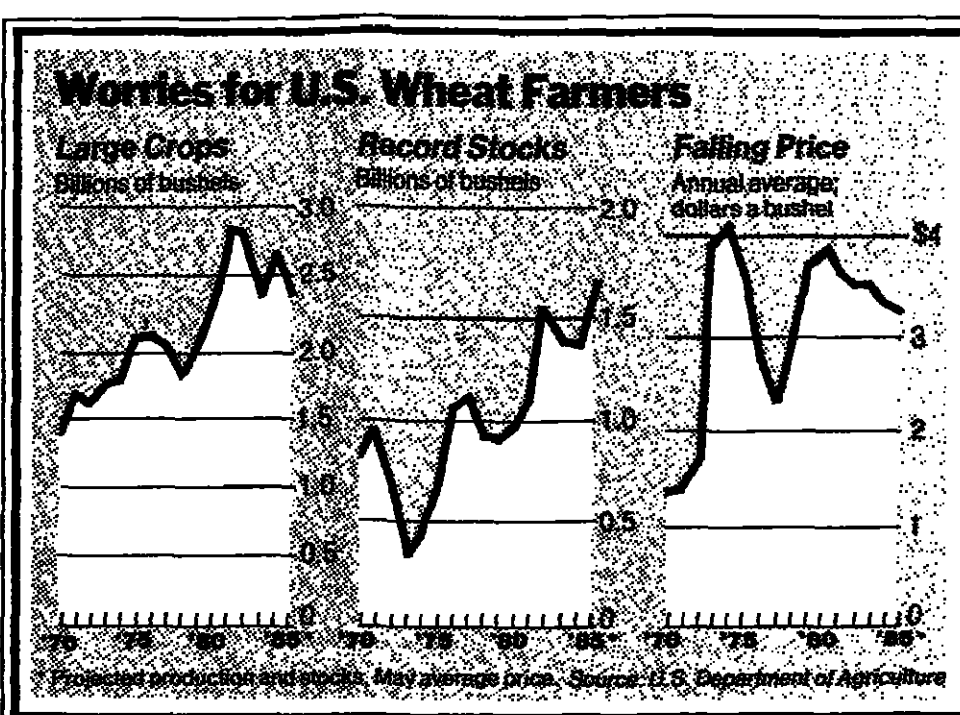
In earlier European trading, markets followed Tuesday's downward dollar movement for much of the day on Wednesday, but the currency regained some ground at the end of the session. The British pound settled at \$1.3055 in London, up from \$1.2993. The dollar was also down on the day in Frankfurt, to 3.0048 DM against 3.0445.

Other European dollar rates Wednesday, compared with late rates Tuesday, were: 9.165 French francs, down from 9.287; 2.528 Swiss francs, versus 2.554; 1,922.50 lire, down from 1,942; and 251.35 yen, down from 248.65.

Analysts said the dollar's gain late in the day reflected a shift in traders' concerns from expectations of new cuts in U.S. interest rates to anticipation of an increase in the "flash" U.S. GNP figures.

Economists' projections for the growth in the GNP, which measures the value of a country's goods and services, ranged from unchanged to 4.5 percent on an annualized basis. There was a general expectation of about a 1.8-percent growth rate.

The U.S. under secretary of commerce for economic affairs, Sidney Jones, said Wednesday that he expected GNP growth of 2 percent to 3 percent, but he said he had not yet seen the estimate. (Reuters, AP)



Good Harvests Worldwide Bring Hard Times to U.S. Wheatfields

By William Robbins

New York Times Service

WICHITA FALLS, Texas — Fred Dwyer stepped out of his pickup truck, looked across his wheatfields which stretched as far as he could see, and squinted into the midday sun to watch three big red combines cut broad swaths through the golden grain.

The combines, run by a crew of custom cutters — contractors hired by Mr. Dwyer to harvest his winter wheat — were beginning a course that will take them through the nation's heartland this summer.

After Texas, this crew and many others will crawl across the broad plains of Oklahoma, Kansas and Nebraska. By September, when they end their pilgrimages in Montana or the Dakotas, they will have left behind villages and towns

studded with granaries that overflow with another bounteous harvest — far more wheat than America can sell.

And that, said Mr. Dwyer, is related to the creases that line his deeply tanned forehead and crinkle around his eyes. The burning Texas sun is only partly responsible, he said, as are the winter winds that sweep down the plains "with nothing but a few strands of barbed wire between us and the North Pole." This year, those lines have been deepened by the initial success of the harvest just getting underway.

His mood does not improve when Floyd Siemens, the harvester who reaps Mr. Dwyer's wheat every year, steps down from one of his combines to advise the farmer that the yield "looks like it's running real good." It might help.

(Continued on Page 15)

China's Role in Hong Kong Grows

Reuters

HONG KONG — China's support for an ailing bank in Hong Kong and concerns over the health of the local banking system is a sign of Beijing's growing political and financial stake in a stable Hong Kong, bankers said Wednesday.

They said Bank of China's credit earlier this week to Ka Wah Bank, rumored to be in financial trouble, was aimed at ensuring a smooth transition when China regains control over the colony in 1997 and at protecting Beijing's sizable banking operations in Hong Kong.

"It indicates concern for preserving the stability of Hong Kong's financial market," said Frank Martin, director of Security Pacific National Bank of the United States.

Bank of China and the colony's leading bank, Hongkong & Shanghai Banking Corp., gave Ka Wah a large credit on Monday to shore up confidence in the banking system, which had been stung by the collapse of Overseas Trust Bank 10 days earlier.

The failure of OTB, which has been taken over by the government, sent stock prices tumbling and led to rumors about the health of several small banks, including Ka Wah.

Bankers said the credit, the size of which has not been announced, was a welcome change from Bank of China's actions in 1983 when the Hong Kong dollar went into a tailspin and had to be pegged to the U.S. dollar. Then, Bank of China took no public action to support

the currency and was accused of joining those who sold Hong Kong dollars heavily.

Bank of China and its sister banks now have sizable deposits in Hong Kong, and bankers said these would have been jeopardized by a more serious jolt to the banking system.

"They're a large bank with a growing role in the market," said Stephen Hunt of Bank of America. "We're pleased by this positive, responsible move."

Bank of China has in recent months taken a more visible role in local banking operations, joining a group that advises the government on banking policy. It also has taken a more active role in the syndicated loan market.

Hong Kong, China to Form Joint Bank

Reuters

HONG KONG — Panin Holdings Ltd., a Hong Kong-listed company, said Wednesday that it has signed an agreement to set up the first joint-venture bank with China.

Xiamen International Bank will have registered capital of 800 million Hong Kong dollars (\$103 million), with initial paid capital of 420 million dollars.

Panin, which will hold a 60-percent stake, will put up 72 million dollars in cash and inject two subsidiaries, Panin International Finance Corp. and Banco Luso International Ltd. of Macao, into the bank. The net asset value of the two is 180 million dollars, according to Panin's secretary, Thomas Lam.

The Chinese parties are Industrial & Commercial Bank of China, Fujian branch, which will contribute 15 percent of the capital in cash; Fujian Investment & Enterprise Corp., 15 percent; and Construction & Development Corp., 10 percent.

The bank, to be based in the Xiamen special economic zone in southern China, will conduct commercial and investment banking business in currencies other than the renminbi.

Chinese authorities must approve the agreement. It is also subject to the approval of the shareholders of Panin, an investment vehicle for Indonesian interests.

Currency Rates

Cross Rates	June 19	June 20
American dollar	1.00	1.00
British pound	1.60	1.61
French franc	6.55	6.56
German mark	3.36	3.37
Italian lira	2036	2040
Japanese yen	163.6	164.0
Netherlands guilder	3.60	3.61
Spanish peseta	166.6	167.0
Swiss franc	2.00	2.01
West German mark	3.36	3.37
Yen	163.6	164.0

Other Dollar Values	June 19	June 20
Australian dollar	0.80	0.81
Canadian dollar	0.75	0.76
East German mark	1.00	1.01
West German mark	3.36	3.37
Yen	163.6	164.0

Source: Reuters, Commercial, Credit, and other sources. All rates in U.S. dollars unless otherwise indicated.

Interest Rates

Key Money Rates	June 19	June 20
3-month Treasury bill	9.50	9.50
6-month Treasury bill	9.50	9.50
1-year Treasury bill	9.50	9.50

Source: Reuters, Commercial, Credit, and other sources. All rates in U.S. dollars unless otherwise indicated.

Asian Dollar Deposits	June 19	June 20
1-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
3-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
6-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
1-year	7 1/4 - 7 1/2	7 1/4 - 7 1/2

Source: Reuters.

U.S. Money Market Funds	June 19	June 20
1-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
3-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
6-month	7 1/4 - 7 1/2	7 1/4 - 7 1/2
1-year	7 1/4 - 7 1/2	7 1/4 - 7 1/2

Source: Reuters.

Gold	June 19	June 20
1 ounce	325.00	325.00
100 ounces	32,500.00	32,500.00

Source: Reuters.

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IHT-3

BUSINESS ROUNDUP

Karstadt Reports 74% Profit Decline

ESSEN, West Germany — Karstadt AG, West Germany's largest department-store chain, reported Wednesday that group net profit fell to 23.9 million Deutsche marks (\$7.8 million) in 1984, a 74-percent decline from 90.4 million DM in 1983.

Sales totaled 12.01 billion DM, a 2-percent decrease from 12.27 billion in 1983. The dividend, previously announced, was unchanged at 7 DM a share.

Walter Deuss, the board chairman, said the parent company's sales fell 3.4 percent in the first five months of 1985, compared with the same 1984 period. He said, however, that revenue had risen in two

areas that contributed heavily to the profit decline in 1984: the travel subsidiary N-U-R GmbH and the mail-order business Neckermann Versand AG, which was absorbed into the parent last year.

Losses at N-U-R widened to 28.2 million DM in 1984 from 1983's 7 million. Although Neckermann's losses nearly doubled in 1984 compared with 1983, Mr. Deuss said, it showed an overall profit of 5.4 million DM through extraordinary items such as the sale of property to the parent company.

Mr. Deuss declined to give figures for early 1985 or predict full-year results, but said Karstadt had braced itself for continued stagnation in retail spending.

Mr. Deuss said both Neckermann and N-U-R were affected last year by developments that were unlikely to be repeated. Bookings at N-U-R in 1984 were depressed by two major industrial disputes in the summer months, he said, and at Neckermann, problems with a new central warehouse meant some customers either received incorrect orders or experienced long delays.

Parent company profit declined to 60.4 million DM from 90.4 million and revenue fell to 9.16 billion from 9.44 billion.

Mr. Deuss said Karstadt still hoped to merge N-U-R with Kaufhof AG's travel subsidiary, ITS International Tourist Services GmbH.

3 Unions at TWA Form Coalition To Block Takeover by Texas Air

NEW YORK — The three unions at Trans World Airlines said Wednesday that they had formed a coalition to "pursue alternatives" to the \$793.5-million takeover of the airline by Texas Air Corp.

The coalition said it had retained two investment bankers to help it block Texas Air. Eugene J. Keelin, a partner in the firm Lazard Freres & Co., and Brian M. Freeman, president of a firm that bears his name.

The coalition comprises the Air Line Pilots Association, the Independent Federation of Flight Attendants and the International Association of Machinists.

TWA agreed last week to be taken over by Texas Air to head off a hostile takeover bid by Carl C. Icahn, a New York investor. Texas Air is the parent of Continental Airlines, which is in Chapter 11 reorganization proceedings, and New York Air.

Bayer Chief Expects to Match 56% Profit Growth in 1984

COLOGNE — Bayer AG's profit performance in 1985 should match last year's 56-percent increase, the company's managing board chairman, Hermann Strenger, said Wednesday.

The diversified chemical and pharmaceuticals concern reported world-group net income last year of 1.17 billion Deutsche marks (\$384.3 million) compared with 754 million DM in 1983.

Mr. Strenger told the company's annual meeting that world group volume increased 13.1 percent, to 16.3 billion DM, from January to April, while parent-company sales in the first five months rose 9.6 percent to 8 billion DM.

June also started well, Mr. Strenger said, adding that Bayer results for 1985 are likely to be "just as good as last year."

The increase in 1984 profits enabled Bayer to increase its dividend

to 9 DM, from 7 DM at present. This brought Bayer in line with other large West German chemical groups such as Hoechst AG and BASF AG.

Mr. Strenger gave no details on Bayer's profit for the first five months of 1985. In the first quarter of this year, Bayer reported that world-group pre-tax profit had risen 28.9 percent in the first quarter, to 820 million DM, from 636 million a year earlier.

Mr. Strenger said he was optimistic about the results despite his expectation that Bayer would not benefit as much as last year from factors such as the strong dollar and strong growth in the U.S. economy.

So far this year, business has been particularly strong in North and South America, he said.

Research spending will rise to 2.1 billion DM this year from 1.96 billion in 1984, he said.

Renault Said to Want To Cut Capacity 25%

PARIS — Renault, the money-losing French automaker, is aiming to cut its production capacity by about 25 percent as part of its recovery program, union sources said Wednesday.

The government-owned vehicle group declined official comment. But union sources said the capacity cut, and a further paring of investment plans, were included in measures put to labor representatives this week at a meeting with management.

Company sources said that no formal decision on industrial strategy had been made, but added that the documents cited by union sources accurately reflected management thinking.

The plan is to reduce capacity to about 1.6 million cars a year from the present 2 million, the labor sources said.

Car production at Renault, which has suffered a sharp drop in domestic market share over the past two years, is running at substantially below capacity, and the company reportedly has plans to reduce the French work force by 21,000, more than 20 percent, by the end of 1986.

Worldwide, the group's net losses in 1984 reached 12.55 billion francs (\$1.33 billion), compared with a loss of 1.58 billion francs in 1983.

Union sources said management documents put to the works committee this week indicated capacity reductions could be made at Renault's aging Billancourt complex near Paris and at its Le Mans plant in northwest France.

The documents showed that management expects the group's domestic market share to bottom out at 30.5 percent this year after falling to 31 percent last year and then to recover slowly to 31.5 percent by 1987, the sources said.

Investment, already trimmed to the minimum needed for the introduction of one new model a year, would be cut back to 6 percent of sales from the 9 percent average in recent years, they said.

Investment fell to 9.9 billion francs last year from 10.5 billion in 1983.

A company also denied reports that Renault plans to close its Swiss financial subsidiary, Renault Finance.

"Renault formally denies closure rumors circulating in Switzerland, which are pure fantasy," he said.

Meanwhile, union sources also said Wednesday that Citroën, which is part of the privately owned Peugeot group, has plans this year to cut a further 1,300 jobs from its work force of 38,000. The company had trimmed 6,000 last year.

A Citroën spokesman confirmed that the proposal was on the agenda of a union meeting Thursday and said that the company hoped to avoid outright firings by doing such things as encouraging immigrant workers to return to their countries of origin.

Citroën employs 7,500 immigrant workers who could be covered by voluntary repatriation.

Peugeot sharply cut its net profit last year and hopes to break even this year, but Citroën remains a heavy money loser.

Krupp Stahl Expects Better Results in '85

BOCHUM, West Germany — Krupp Stahl GmbH expects to improve its results this year after returning to profitability last year for the first time since 1979, the managing board chairman, Alfons Godde, said Wednesday.

Krupp Stahl, which is 70.4 percent owned by Fried Krupp GmbH and 25.1 percent held by National Iranian Steel Co., last year had a group net profit of 23.34 million Deutsche marks (\$7.7 million). It had a loss of 344 million DM in 1983.

Even by pessimistic estimates, Krupp should remain in profit this year, Mr. Godde told the company's annual meeting. But he said the crisis in the European steel industry is still not over.

Investment, already trimmed to the minimum needed for the introduction of one new model a year, would be cut back to 6 percent of sales from the 9 percent average in recent years, they said.

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Reynolds Gets Go-Ahead For Nabisco Acquisition

WINSTON-SALEM, North Carolina — R.J. Reynolds Industries Inc. said Wednesday that the waiting period under U.S. law was over for its offer for 29 million shares of Nabisco Brands Inc. common stock.

Reynolds, the second-largest U.S. cigarette maker, announced earlier this month it was offering to buy Nabisco, the fourth-leading U.S. food company, in a friendly takeover for a total of \$4.9 billion.

The Associated Press

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COMPANY NOTES

Australia & New Zealand Banking Group Ltd. will change the structure and operations of its wholly-owned Grindlays Bank PLC unit to integrate it with its own corporate structure. The unit was acquired by ANZ in September.

Honeywell Inc. expects second-quarter earnings to decline sharply from those of a year ago, attributing the decline to weaknesses in industrial and computer markets. The firm said results in its Information Systems business would fall substantially below a very strong second quarter in 1984.

Jasra Jackson Sdn has been refused by the government of Brunei in its application to share its oil concession with the U.S.-based Phillips Petroleum Co. Phillips would have received half the concession's output in return for the

finance to drill seven exploratory wells in northwest Borneo. National Medical Enterprises Inc. of Los Angeles has bought the 500-bed Mount Elizabeth Hospital in Singapore in a major step for the company's future expansion in the Pacific Basin. The hospital is private and caters mainly to wealthy foreigners.

Overseas Union Enterprise Ltd. said Chung Sing Development Co., in which it has 50-percent equity, has signed an agreement with three partners in China to build a \$60-million hotel in Shanghai. The OUE subsidiary Mandarin (Singapore) International Hotels will manage the 600-room hotel.

SAB Harmon Industries Inc., a Missouri electronics company serving the railroad industry, has redeemed nearly 2.5 million shares of common stock held by SAB NIPFI AB, a wholly-owned subsidiary of

With Sonesson AB of Malmö, Sweden.

Tata Engineering & Locomotive Co., India's largest manufacturer of commercial vehicles, is discussing with various foreign car makers the possibility of collaborating in the manufacture of passenger cars.

Thomson-CSF Telephone, part of the French government-owned Cie. Générale d'Electricité group, is launching a desk-top terminal, the VDT 3500, combining the function of a telephone, a videorecorder message system and a simple information processor.

Wheeling-Pittsburgh Steel Corp., the seventh-largest U.S. steel producer, will lose \$80 million this year and will be out of cash in the fourth quarter, company officials told a bankruptcy judge in their efforts to dissolve their labor contract.

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Quotations Supplied by Funds Listed

19 June 1985

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(W) — weekly (M) — monthly (Q) — quarterly (A) — annually

ALMA MANAGEMENT

(W) ALMA Truist S.A. \$14.62

BANK JULIUS BAER & CO. LTD.

(W) Bank of America \$12.50

(W) Bank of Europe \$12.50

(W) Bank of France \$12.50

(W) Bank of Italy \$12.50

(W) Bank of Japan \$12.50

(W) Bank of London \$12.50

(W) Bank of Mexico \$12.50

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(W) Bank of the Netherlands \$12.50

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(W) Bank of Portugal \$12.50

(W) Bank of Turkey \$12.50

(W) Bank of Iran \$12.50

(W) Bank of Iraq \$12.50

(W) Bank of Kuwait \$12.50

(W) Bank of Qatar \$12.50

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(W) Bank of Ivory Coast \$12.50

(W) Bank of Upper Volta \$12.50

(W) Bank of Senegal \$12.50

(W) Bank of Gambia \$12.50

(W) Bank of Guinea-Bissau \$12.50

(W) Bank of Cape Verde \$12.50

(W) Bank of Mauritius \$12.50

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(W) Bank of Zanzibar \$12.50

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(W) Bank of India \$12.50

(W) Bank of Pakistan \$12.50

(W) Bank of Bangladesh \$12.50

(W) Bank of Sri Lanka \$12.50

(W) Bank of Nepal \$12.50

(W) Bank of Bhutan \$12.50

Good Harvests Worldwide Bring Hard Times for U.S. Farmers

(Continued from Page 13)

Mr. Dwyer said, if someone could bring him the same sort of news about prices.

No one can. "Everybody keeps saying there's got to be a better year ahead," said Jack Beauchamp, a grower up in Kansas, where farmers have yet to harvest their winter wheat. "But it seems like it's going to be a long time coming. And the farmers are getting like old machinery. They're wearing out together."

Indeed, few experts see any sign of relief for the farmers, custom cutters, grain-elevator operators and export merchants who, dependent on the wheat trade, are experiencing these hard times.

"We're going through a very painful adjustment process," said Martin Abel, an agricultural consultant with Abel, Daft & Early in Washington. "The situation can improve if economic conditions improve in developing countries, but that's a long term."

Falling imports from poor nations that cannot afford to buy are only part of the problem for American growers. Now, even importing nations that can afford wheat and

that have been big buyers of U.S. grain are becoming self-sufficient.

India's yield is increasing yearly thanks to the technological "green revolution," according to the U.S. Department of Agriculture. China, too, requires less and less foreign wheat, said the department. As for the Soviet Union, historically a huge importer of U.S. wheat, the department projects much-improved production this year, after a series of poor crops. So Soviet wheat imports, too, are expected to drop sharply.

"As of today," said Mr. Abel, "I can see no major crop problems anywhere in the world." Simultaneously, the competition for the rapidly shrinking export market is greater than ever. Farmers in Western Europe, aided by the common agricultural policy of the European Community, have increased production to the point where Britain, for example, is now a net exporter of wheat, when just four years ago it was a net importer. As Europe has expanded its acreage, so have Argentina, Australia and Canada.

The rising world production, combined with the high export

price of U.S. wheat, propped by government support prices and a strong dollar, means one thing for U.S. wheat growers: Exports, around

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SPORTS

Tight Outings Amid Tight Innings: Unruly Blend of Baseball and Beer

By Craig Wolff
New York Times Service

NEW YORK — One night recently at Yankee Stadium: A beer vendor did not want to climb the steps to where a fan sat in an upper row of the upper deck. So the fan came down and punched him in the nose.

At field level, along third base, a 13-year-old boy snatched a bag filled with \$126 worth of Yankee trinkets.

Near the left-field corner, a concession worker at a hot dog stand scuffled with a teen-ager who climbed atop the counter and reached into the cash drawer.

And in right field, another vendor was punched by another fan who argued that he had not had too much to drink.



A beer vendor working a night game at Yankee Stadium.

It was a night without a clear sky and without a breeze to create the summery feeling that baseball games often have, and most everyone focused on the field and the tense game. The Yankees trailed late, 1-0, to Toronto. Their failed threats every other inning kept rocking the crowd, and the spectators' disposition shifted accordingly. First they cheered and then they groaned, and when what looked like a last-ditch opportunity in the eighth fell apart, a group stood up and chanted an obscenity at the umpire.

In a grand way, the Yankees tied it. Down to their final out, Dale Berra hit a home run to force extra innings, and the crowd loved it. But some did not notice. As Berra circled the bases, eight young men smoked marijuana in a back row, a man vomited in an aisle and security guards chased two youths who had been throwing beer. Extra innings had not yet begun.

Concerned that shenanigans, hooliganism and violence at ballparks around the country are chasing away customers, baseball is taking steps against nights and days like that one. Major league officials believe the main cause of the problem is the huge consumption of beer in the park or before the customers have even arrived.

Many teams, including the Yankees, the New York Mets and the Chicago White Sox, have cut off the beer vending after the seventh inning; it's still available at concession stands, but it isn't hawked in the aisles. A few (the Los Angeles Dodgers, the California Angels and the Detroit Tigers) sell it only at the concession stands, period. Some teams offer a choice of low-alcohol beer.

In an interview, Commissioner Peter V. Ueberroth said that all teams next season will have to follow the example of the Chicago Cubs, Texas Rangers, Minnesota Twins, Atlanta Braves, Pittsburgh Pirates and the Dodgers: Set aside "family only" sections — in effect, nondrinking areas.

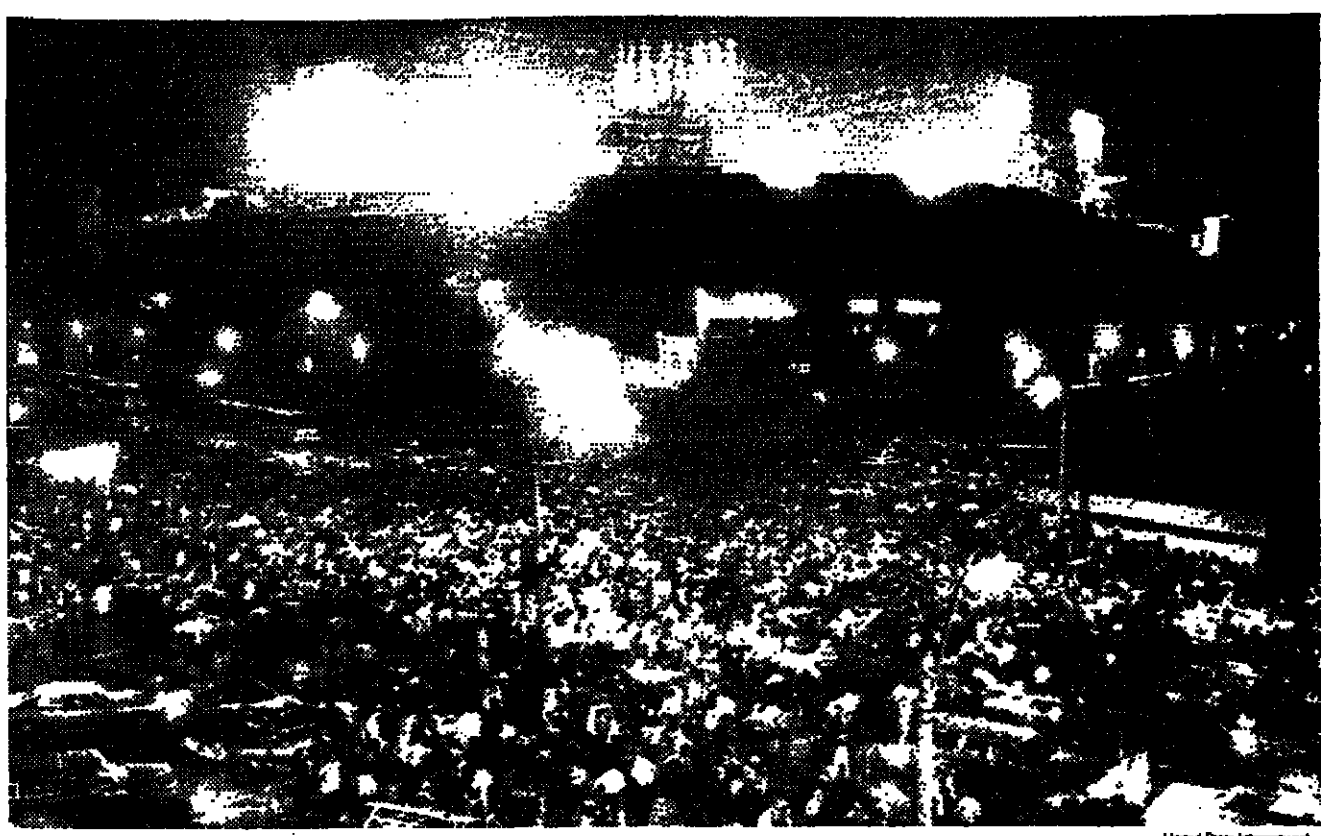
"Baseball shares the concern," said Ueberroth. "And maybe it's more important for baseball than the other sports because the ambience of the stadium in baseball is more important. Much of our success is built on the family. We have to promote and develop family."

No single organization has taken stronger measures to curb the problem than the Detroit Tigers. Pressed by the ugly celebration that followed their World Series victory last October, a celebration in which automobiles were set afire and one man died, the Tigers became the only club to sell only low-alcohol beer. When regulars in the bleachers began organizing and chanting obscenities, the Tigers closed the bleachers for a week last month. And since they reopened them, they have been checking the ankles and pockets of nearly everyone entering the bleachers, confiscating any concealed liquor containers they find.

The Yankees and Mets have also been confiscating containers. The Yankees have a holding room for all the objects they take away. For the Mets, the whole process proved embarrassing one Saturday afternoon this month — Picnic Jug Day. They gave out thermoses adorned with the Met logo to everyone 16 and over and then announced that the fans were not permitted to bring the jugs back to Shea Stadium.

"Things have gotten worse," said Bob Mandi, vice president in charge of operations for the Mets. "Friday nights and Sunday doubleheaders have always been bad, but the tone has changed. It's a little more vulgar, and there's more marijuana. Our security force now does pot patrols."

"Ninety-nine percent of all the problems we have," said Lieutenant



The riotous scene outside Tiger Stadium after Detroit's World Series victory last fall: Cars were set afire and one man died.

Robert Becker, who directs the New York City police detail that operates around Shea, "can be traced to alcohol."

But cutting off the flow of beer at the stadiums would not provide a complete solution. "A big problem," says Becker, "is that when people get here they're already half-tanked. How are you going to solve that? People leave work, stop for a few martinis, then come here and add a few beers to that. It's not just the guys in T-shirts. It's the guys with the ties on."

The link of unruliness to alcohol is not a comfortable one for the people who run baseball to accept or even acknowledge. Yankee officials, who requested anonymity, said sales average a little less than a beer per fan. Based on their current attendance figures, the Yankees should draw close to two million customers in 1985, and the Mets about 2.5 million. At Yankee Stadium, a 12-ounce cup goes for \$2, a 16-ounce beer for \$2.25 and a 20-ounce for \$2.50. So it could be reasonably estimated that the Yankees will bring in about \$4 million just in beer sales.

The Mets charge anywhere from \$1.85 to \$3.25, so it is possible that they will bring in more than \$5 million. On an average night at either park, beer revenues can be anywhere from \$50,000 and up. What bar in New York City sells that much beer in one night? And how many of those fans then get into their cars and drive home?

In addition, beer companies spent \$327.5 million on advertising during network sports programming in 1984. According to a source with knowledge of baseball's relationship with the beer industry, about 10 percent of that total represents advertising during baseball telecasts. That does not

include all the money brought in from beer advertising on cable, local television and radio contracts.

Detroit's bleacher problems began last year when two sections of fans adopted the "Taste Great — Less Filling" slogans from the television ads and changed them to obscenities.

Scores of retired baseball players and even George Steinbrenner, the principal Yankee owner, have appeared in beer commercials (active players are not permitted to appear).

It seems that baseball, for economic reasons, could not possibly ban the sale of beer from its stadiums, but an organization called Project SMART (Stop Marketing Alcohol on Radio and Television) is pressing Congress for legislation that would ban beer advertising on TV. Timmons & Co., a Washington lobbying firm, represents baseball. Its other clients include Anheuser-Busch and ABC Television. A Timmons representative has indicated a readiness to work against such legislation.

During the 10th inning at Yankee Stadium the other night, six queues, each about six deep, waited at the concession stand behind home plate. A check of one line found that one patron was waiting for a third beer. Two were waiting for beer number four. Three others had drunk more than six.

When asked, the young woman behind the counter, said, "I'll give them as many as they want."

"One of the pleasures of coming to the stadium is drinking," said Mike Cisco, a 26-year-old musician from Brooklyn. "Baseball is drinking beer and eating hot dogs."

Cubs Drop 7th Straight — and Take On Gooden Next

Compiled by Our Staff From Dispatches
NEW YORK — The Chicago Cubs have lost seven straight games, and the immediate prospects of ending the skid aren't bright.

"We have too many good players for this to continue," said right fielder Keith Moreland after Tuesday night's 5-1 loss to the New

BASEBALL ROUNDUP

York Mets extended the Cubs' longest losing streak since they dropped 13 in a row in 1982.

A tall order faced Chicago Wednesday as it tried to halt the slide that has knocked it out of first place in the National League East: The Cubs would face New York's Dwight Gooden, one of the National League's premier pitchers.

"Gooden's not unbeatable," Moreland said. "If you get in a slump like this, you have to forget each loss and go at each game with a positive attitude. If not, you'll never get going."

Gary Carter drove in two runs, including one with a single as New York scored twice with two out in the fifth inning. Mookie Wilson and Kevin Chapman, the Nos. 1 and 2 hitters in the Met batting order, each scored twice; Wilson also had an RBI.

Winner Ed Lynch scattered eight hits, struck out three and walked one en route to his third complete game of the season and fourth lifetime.

Plates 4, Expos 1: In Montreal, George Hendrick had two doubles and drove in the winning run as

Pittsburgh downed the first-place Expos for the second straight night.

Reds 6, Giants 1: In San Francisco, Frank Pastore, making his second start of the season, gave up only four singles in ending the Giants' three-game winning streak. Cincinnati cashed in on two errors to score four unearned runs.

Braves 3, Astros 2: In Atlanta, Glenn Hubbard put reliever Julio Solano's first pitch of the eighth inning over the left-field fence to give the Braves the decision. Atlanta left-hander Zane Smith pitched hitless ball for 5½ innings and allowed only two hits in his seven innings of work. Reliever Bruce Sutler got the victory, but only after giving up a game-tying home run to Bill Doran in the eighth. Sutler has failed to hold leads in his last four appearances.

Cardinals 6, Phillies 2: In St. Louis, Tom Lawless drove in three runs on two singles and Vince Coleman had three hits and stole two bases to pace the Cardinals' fifth straight triumph. John Tudor won his fourth straight game. Steve Carlton lost for the seventh time in eight decisions.

Padres 4, Dodgers 0: In Los Angeles, Dave Dravecky, who held the Dodgers hitless through 4½ innings, settled for a three-hitter (all singles) and Tim Lincecum drove in two runs to spark San Diego's victory.

Tigers 9, Red Sox 8: In the American League, in Detroit, Lance Parrish's fifth career grand slam homer capped a five-run sixth that rallied the Tigers and ended

Boston's six-game winning streak. With the Tigers trailing, 7-4, Lou Whitaker's one-out double scored Tom Brookens from first base and knocked out starter Bruce Kison.

Alan Trammell greeted Mike Trujillo with an RBI single before Bruce Hurst came on to walk Kirk Gibson, loading the bases. Parrish, who was 10-for-18 lifetime against Hurst, including five home runs — connected on the first pitch.

Brewers 4, Blue Jays 1: In Milwaukee, Earnest Riles batted in two runs and Paul Molitor homered to help the Brewers hand Toronto its sixth straight defeat. The Blue Jays have lost 18 of their last 22 games in Milwaukee, dating back to 1982.

Yankees 6, Orioles 4: In Baltimore, Ken Griffey lined a pair of

run-scoring singles and Rickey Henderson had three hits and stole three bases to lead New York to its third straight victory. Henderson, who had five singles and a walk in Monday's game and walked in his last appearance on Sunday, had his streak of reaching base 10 consecutive times halted in the sixth.

Angels 7, Indians 3: In Cleveland, Reggie Jackson's two-run homer and run-scoring single paced a 20-hit attack that helped California down the Indians. Jackson's 512th career home run tied him with Ernie Banks and Eddie Mathews for 10th place on the all-time list and his 1,542 lifetime RBIs moved him ahead of Willie Stargell and into 22d place.

Rangers 8, Mariners 5: In Arlington, Texas, Pete O'Brien ignited

a six-run first with an RBI double and added a home run an inning later to help Texas end Seattle's three-game winning streak.

The Mariners' Bill Wilkinson, making his second major-league start, gave up five runs on three hits and lasted only one third of an inning. Four Seattle starters — Mike Morgan, Mike Moore, Mark Langston and Jim Beattie — are on the disabled list.

White Sox 4, A's 3: In Chicago, Harold Baines led off the 13th by putting Keith Atherton's 2-0 pitch into the upper deck in right field to give the White Sox their victory.

Royals 10, Twins 1: In Kansas City, Missouri, Frank White had three singles, drove in a run and scored twice in sparking Kansas City's rout.

SCOREBOARD

Baseball

Tuesday's Major League Line Scores

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San Francisco 100 100 100-4 1	Detroit 100 100 100-4 1
Pastore and Kison: 100 100 100-4 1	New York 100 100 100-4 1
Gorrell (9) and Brantley, W.—Pastore, 2-4-1	Los Angeles 100 100 100-4 1
Los Angeles 100 100 100-4 1	San Diego 100 100 100-4 1
Pittsburgh 100 100 100-4 1	St. Louis 100 100 100-4 1
Madreth 100 100 100-4 1	Chicago 100 100 100-4 1
McWilliams and Perez: Smith, Lucas (9)	Philadelphia 100 100 100-4 1
and Nicolson, W.—McWilliams, 4-1-1	San Francisco 100 100 100-4 1
Chicago 100 100 100-4 1	Los Angeles 100 100 100-4 1
New York 100 100 100-4 1	San Diego 100 100 100-4 1
Trout, Brunner (7) and Loh: Lynch and Carter, W.—Lynch, 4-1-1	St. Louis 100 100 100-4 1
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